Pacific Assets Trust plc

Annual Report for the year ended 31 January 2023

Stewart Investors

Contents

The photograph on the front cover depicts Chinese lanterns in Hoi An, Vietnam

Financial Highlights

5.7%

Net asset value per share total return*^

2023[1] 5.7%

2022[2] 9.1%

5.9%

Share price total return*^

2023[1] 5.9%

2022[2] 2.9%

17.3%

UK Consumer Price Index ("CPI") + 6%[3]†

2023[1] 17.3%

2022[2] 11.5%

10.1%

Average discount of share price to net asset value per share during the year*^

2023[1] 10.1%

2022[2] 7.3%

(2.2)%

MSCI All Country Asia ex Japan Index (total return sterling adjusted)*

(2.2)% 2023[1]

2022[2] (9.2%)

1.1%

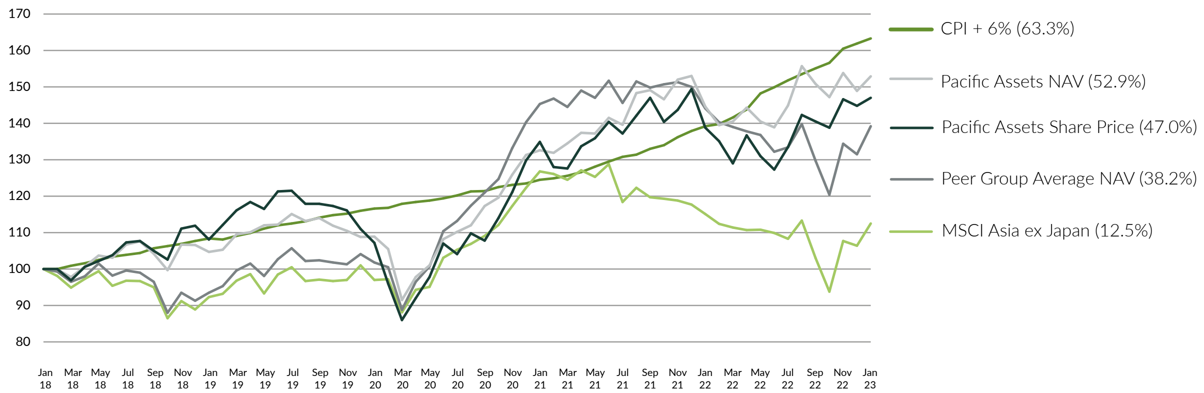
Ongoing charges[3]^

2023[1] 1.1%

2022[2] 1.1%

[1] For the year ended 31 January 2023
[2] For the year ended 31 January 2022
[3] Source: Frostrow Capital LLP
* Source: Morningstar
† The Company's Performance Objective (See Glossary beginning on page 79)
^ Alternative Performance Measure (See Glossary beginning on page 79)

Net Asset Value Per Share Total Return for the Five Years to 31 January 2023



Source: Morningstar. Rebased to 100 as at 31 January 2018

Key Information

Pacific Assets Trust plc (the "Company" or the "Trust") aims to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the "Asia Pacific Region"). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region (as defined above); at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

Management

Stewart Investors have been the Company's Portfolio Manager since 1 July 2010. They adopt a sustainable investment strategy in selecting the investments that make up the Company's portfolio. They operate through the regulatory licences of First Sentier Investors (UK) IM Limited, which is the legal entity appointed as the Company's Portfolio Manager. Their ultimate owner is the Mitsubishi UFJ Trust and Banking Corporation.

Frostrow Capital LLP is the Company's Alternative Investment Fund Manager ("AIFM").

Investment Aims

Stewart Investors aim to generate strong long-term, risk-adjusted returns by investing in the shares of high-quality companies that are particularly well positioned to contribute to and benefit from sustainable development in the Asia Pacific Region. Sustainability is fully integrated into the management of risk and return. The team seeks to improve sustainable outcomes by avoiding businesses linked to harmful activities, investing in companies contributing to solutions, and engaging and voting for positive change.

Investment Philosophy

The foundations of Stewart Investors' investment philosophy and approach remain largely unchanged since 1988 and since their first dedicated sustainability strategy was launched in 2005.

The Stewart Investors investment philosophy is summarised below:

- They are stewards. They believe their role is to allocate society's capital to productive uses, in accordance with their Hippocratic Oath[1].
- They are long-term investors. Their time horizon is measured in years, not weeks, and they value companies accordingly.
- They invest only in companies they believe are contributing to a more sustainable future. They engage constructively as owners to help companies on their sustainability journeys.
- They invest only in high-quality companies. They invest in companies with exceptional cultures, strong franchises and resilient financials.
- They believe capital preservation is important for capital growth. They define risk as the possibility of the permanent loss of client capital.

[1] https://www.stewartinvestors.com/all/about-us/our-hippocratic-oath.html

Company Performance

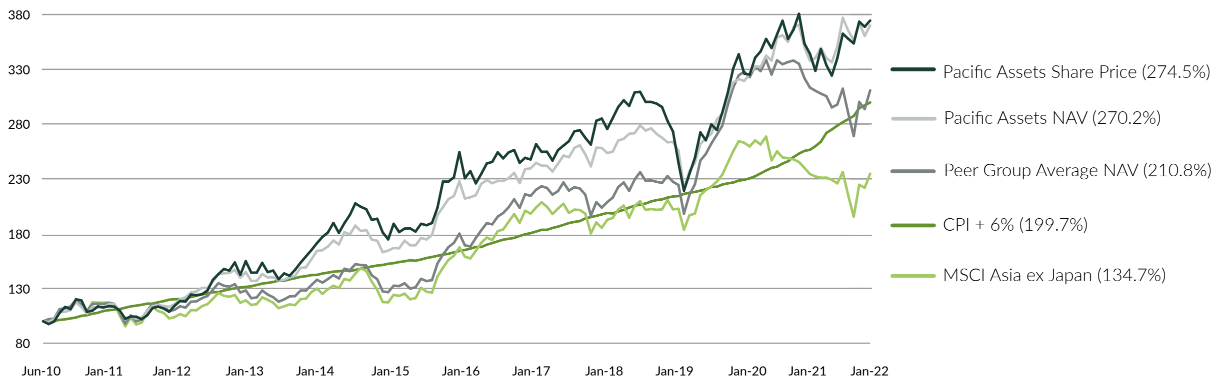
Performance Summary

	As at 31 January 2023	As at 31 January 2022
Shareholders' funds	£473.7m	£450.7m
Market capitalisation	£433.0m	£411.3m

Performance	One year to 31 January 2023	One year to 31 January 2022
Share price total return[1 2]	5.9%	2.9%
Net asset value per share total return[1 2]	5.7%	9.1%
CPI +6%[3]	17.3%	11.5%
MSCI All Country Asia ex Japan Index total return, sterling adjusted[1]	(2.2)%	(9.2)%
Average discount of share price to net asset value per share[1 2]	10.1%	7.3%
Ongoing charges[2]	1.1%	1.1%
Revenue return per share[4]	2.5p	2.0p
Dividend per share	2.3p	1.9p

[1] Source: Morningstar
[2] Alternative Performance Measure (see Glossary beginning on page 79)
[3] The Company's Performance Objective (see Glossary beginning on page 79)
[4] See Glossary beginning on page 79

Total Return since 30 June 2010
(the date of appointment of Stewart Investors as the Portfolio Manager)



Source: Morningstar. Rebased to 100 as at 30 June 2010

Company Performance continued

Performance Assessment

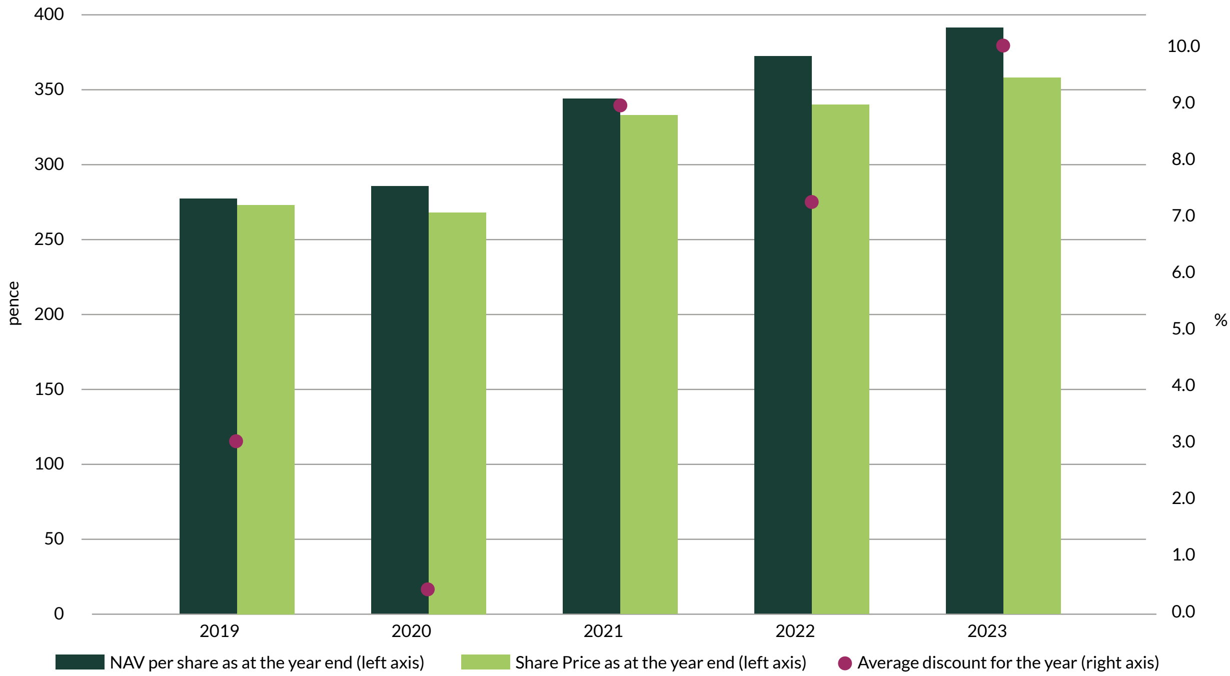
The Company's performance objective, against which the Portfolio Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6%, calculated on an annual basis and measured over three to five years. The Board also monitors the Company's performance against its peer group. An analysis of performance and the Board's approach to monitoring it can be found below and in the Chairman's Statement beginning on page 6; further information can be found in the Portfolio Manager's Review beginning on page 13 and details of the Key Performance Indicators begin on page 23.

Peer Group NAV per Share Total Return

	1 Year £	Rank	3 years £	Rank	5 years £	Rank
Pacific Assets Trust	**105.7**	**1**	**140.3**	**2**	**152.9**	**2**
Pacific Horizon	89.1	7	191.1	1	186.6	1
Schroder Asian Total Return	97.5	3	135.9	3	141.7	3
abrdn New Dawn	98.5	2	124.5	5	129.9	4
Schroder Asia Pacific	97.1	4	128.6	4	124.5	5
Asia Dragon Ord	94.8	6	116.6	6	122.9	6
iShares MSCI Asia ex Japan ETF	96.1	5	113.7	7	109.0	7
Peer Group Average	**97.0**		**135.8**		**138.2**	
CPI + 6%†	**117.3**		**140.1**		**163.3**	
MSCI AC Asia ex Japan Index	**97.8**		**116.0**		**112.5**	

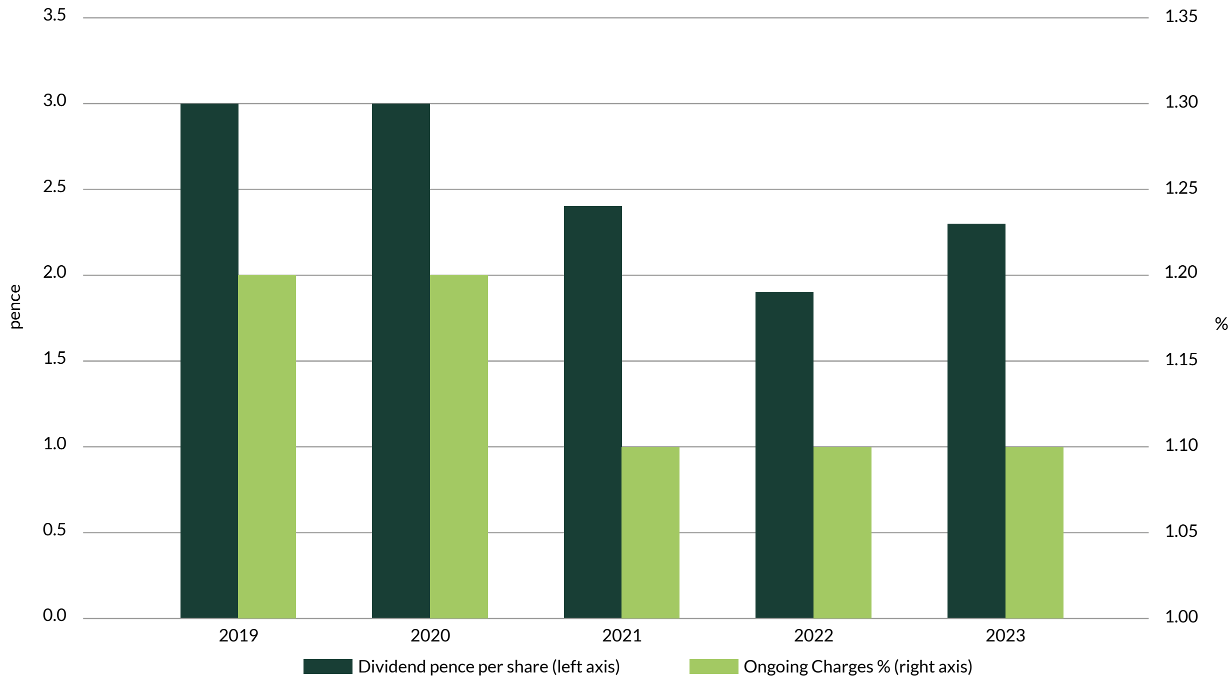
Source: Morningstar. Figures show the value of £100 invested at the start of the period as at 31 January 2023.
† The Company's Performance Objective (see Glossary beginning on page 79)

Five Year Record - Net Asset Value Per Share, Share Price and Discount



Source: Morningstar. Data for Pacific Assets Trust plc as at 31 January.

Five Year Record – Dividend and Costs



Source: Frostrow. Data for Pacific Assets Trust plc as at 31 January.

Chairman's Statement

We have seen confiscation of central bank reserves, the freezing of stock markets and the impounding of luxury yachts and assets belonging to nationals of an unfavoured country. We can argue that Russia is exceptional and that our well-managed Asian markets would never be forced to succumb to such international pressure. Yet it wasn't so long ago that mainstream investors were being encouraged to have some diversification into Russia, so blessed with energy and other resources with its technically literate, educated young millennials.

It is not my intention from my vantage point of chairing this Trust to alarm our shareholders. However, one of the more significant developments in recent years has been the weaponisation of the dollar and other Western currencies, and that it has become seemingly legitimate to seize the assets of a country that has crossed a line of political respectability. It can be argued that it was ever thus in emerging markets, but we have seen global polarisation on a somewhat different scale exacerbated by the Ukrainian war. In short, the nature of 'country risk' has altered in the last 12 months.

However, in the end we must do our job in optimising returns from investing in these vibrant Asian countries. You, as shareholders, must consider the exposure that you should have in a part of the world that provides you with something different from what can be found at home.

We are usually agnostic about politics, domestic and global, but we have taken note by introducing a new line of control. Pacific Assets belies its name by having high exposure to India, something which has been helpful to returns in this difficult last year. During the year, the Board agreed with the Portfolio Manager the introduction of an upper limit to weighting in any one country. In particular, no more than 45% of the Company's total assets may be invested in any one country at the time of investment and the Portfolio manager shall seek to rebalance the portfolio if any country accounts for 49% of total assets at any time. India and China have become so dominant economically and politically in the Asia Pacific region, as have their stock markets. The Trust's portfolio is built from the bottom up which will of course remain the case, but the limit prevents there being accidental overload in a country possibly exposing our shareholders to higher political risk.

The Board is proposing to shareholders at the forthcoming Annual General Meeting ("AGM") that this limit be formalised as part of the Company's investment policy. Further information can be found on pages 98 to 105 of this report.

Outcomes in the Year

The detailed performance data is to be found on page 3 of this report. In absolute terms, Pacific Assets was the only member of its peer group of Asian investment trusts to produce an increase in value for its shareholders, with a rise of 5.7%. While this is satisfactory, the Trust failed to achieve its performance objective of exceeding UK CPI plus 6% (+17.3%). We have noted in the past that the Trust, under the management of Stewart Investors, tends to be able to ride out difficult markets, and this is again vindicated in absolute terms by the outcome of the last 12 months.

To look a little at the longer term, the annualised NAV return of the Trust (and the corresponding CPI plus 6% figure in parantheses) is 11.9% over 3 years (11.9%), 8.8% over 5 years (10.3%), and 10.9% since Stewart Investors began to manage the Trust in June 2010 (9.1%).

It is also worth looking at the MSCI AC Asia ex Japan Index (the "Index") over the longer periods. It is interesting to see how the Index has lagged active managers over both long and short periods. This is an unusual phenomenon in that most market indices, especially in developed markets, tend to be very difficult to overcome. Managers, if they care to do so, can make quite significant choices as to how they differ from the Index within Asia, either by not including some of the larger components (Chinese internet stocks, for instance) or by accentuating positions in one country or another. As the last year has shown, correlations between the two major markets (China and India) can fall to very low levels. Whatever means you use to analyse this, it is rather heartening if you philosophically believe in the powers of active management over passive, and in good stock picking, to find that Asia can still be rewarding in relative terms.

Less so, perhaps, in absolute terms. Both the United States and Europe over the last five years have produced better annualised returns than Asia as a whole. Attempts to explain this could dominate the rest of this Chairman's statement but suffice to say that Asia Pacific markets have not delivered the premium return over developed markets that the asset allocation models suggest should be normal.

Impact

It has been rather bewildering to be associated with Pacific Assets Trust these past ten years, to see the investment industry become fixated on 'sustainability'. It almost suggests that there is a choice once you have excluded the polluters as to whether you invest in a clean manner or not. Those of you who have met our portfolio managers will be only too aware that they simply do not understand whether there should be a distinction or not. Sustainable investing is embedded in their psyche and must be for any new member joining their team. Hence the somewhat confused look when someone asks whether they are ESG compliant, or how they can be accredited as a sustainable investor by an algorithm that is fed by multiple choice answers.

When the Board visits an Asian country with the Portfolio Manager, we participate in an intense programme of company meetings. When meeting one of the world's largest semiconductor manufacturers, the questions were not about earnings growth, but about the use of conflict minerals in the supply chain and their excessive consumption of fresh water. In India, we have met senior board members where the questions are about their personal journey and about the fit of professional managers with the company's founders. I should add that the spreadsheet with the numbers is there as well, but the criteria applied are distinctly long-term in their nature.

The large weighting in Indian companies and the relatively light weighting in China does not result from some strategic decision. It comes down to the availability of companies that meet the criteria of good governance. A few years ago in Shanghai, we visited some interesting companies with the Portfolio Manager which appeared to show considerable potential. Hardly any of these ended up in Pacific Assets' portfolio, with too many having dubious association with government agencies, or alternatively they had unexpectedly diversified into an area that bore no relationship to the company's core business. In India, on the other hand, there is a surprising depth of able companies that display the kind of positive impacts that increasingly investors are looking for. Two of our three largest holdings, Tube Investments and CG Power (together 12.5% of the portfolio) have been outstanding under the stewardship of the Murugappa family, first recognised by Stewart Investors 12 years ago.

Company Balance Sheets and Gearing

To begin with, our Portfolio Manager believes that the cleaner the balance sheet, the more resilient the business in tough times. This does not mean to say that only debt free businesses are owned in the Trust's portfolio, but financial vulnerability must be kept to a minimum. The longer standing businesses in Asia, especially those controlled by multi-generation families, will have seen economic, political, and military turbulence far beyond our own experience in the West. Take, for example, the Lee family who founded Oversea-Chinese Banking Corporation in Singapore in the early 1930s, who still manage a forward looking but conservative leaning bank today. It remains one of the Trust's largest holdings.

Investors may be preoccupied in trying to second guess the world's central banks. However, an over-arching question is what happens further on in this cycle. The longer-term effect of more than a decade of zero or negative interest rates is still not really understood. Within the Asian region, there are questions about the economic sustainability of an indebted China, with its shadow banking system seemingly supported by a network of state inspired safety nets. Is the assumption correct that we must return to negligible interest rates everywhere, with all the effects of supporting zombie companies and entrenching the misallocation of capital? Financial engineering may have distorted true profitability amongst more unscrupulous companies. Off balance sheet finance is another unknown.

I have talked about sustainability, a hard to define concept. Similarly, 'quality' is another which cannot easily or neatly be defined. Looking forward as the post Covid-19 interest rate cycle unravels, and with it, hopefully but not with any certainty, inflation, we may not quickly return to a low-risk world that many investors expect. Financial sustainability is an important aspect of the portfolio of Asian companies that the Trust holds. It also goes some way to answering the question about how the downside is protected during difficult markets such as the last year.

There is linkage here to the use of leverage within the Trust's portfolio. Gearing can be a differentiating factor that is available to investment companies but not to open-ended funds and can be appropriate, especially when secured against a portfolio of soundly financed companies. When used, it will add to the NAV performance of the Company in rising markets but, conversely, detract in falling markets. This has the effect of amplifying market movements but, over time, the intention is that it should enhance the return to shareholders. Last year shareholders approved the use of gearing in principle but, to date, no borrowing facilities have been put in place. Your Board will continue to consider the use of gearing but will be mindful that, among other factors, the prevailing cost of borrowing is relatively unattractive.

Total Return

We think of this when considering the discount that may exist between the share price and the net asset value of the Trust.

The Trust's shares traded at an average discount to the net asset value per share of 10.1% through the 12- month period to the end of January. In line with the investment companies sector overall, the share price discount widened materially at the time of the Russian invasion of Ukraine, and then steadily narrowed over the remainder of the financial year to close at 8.6% (2022: 8.8%). Strong relative performance is assisting investor sentiment, as will the Portfolio Manager's high level of credibility as a sustainable investor, attractive to shareholders who are seeking exposure to Asia through genuinely responsible investing.

The Board is working to introduce improvements to the visibility of the Trust. We wish to see a broader range of shareholders including retail investors who are less present on our shareholder register than we would like. Stewart Investors, on their marketing side, are raising their already high standards of printed materials and electronic communications. All of this will be helpful in ensuring continuing demand for the Trust's shares, but only if the Trust can continue to provide positive relative returns in the way that it has done over the last five years.

Dividend

The Company generated a revenue return of 2.5p per share during the year (2022: 2.0p per share) and, as a result, the Board recommends to shareholders the payment of a final dividend to allow the Company to comply with the investment trust rules regarding distributable income.

Subject to shareholder approval at the AGM, a final dividend of 2.3p per share will be paid on 6 July 2023 to shareholders on the register on 9 June 2023. The associated ex-dividend date will be 8 June 2023.

The Board

We adhere to good corporate governance principles that we should be looking to replace a director after they have served on the Board for over nine years. We do not agree with the assertion that extreme longevity compromises independence, but we do believe that there is room for fresh thinking and approach after a certain time.

I will be leaving the Company at the end of May 2023 having been a director since 2013 and Chairman since 2015. Andrew Impey will take over from me and will be chairing the AGM. His biography is on page 35. Andrew brings a lifetime of professional involvement in investment management and is already an experienced leader of an investment company board, and I am sure he will provide capable leadership to Pacific Assets Trust and its Board.

There will be other retirements in subsequent years. The challenge of ensuring continuity of the Board and managing the relationships with the Portfolio Manager and others is something that we are acutely conscious of. We are very focused on successfully managing the transitions with the right individuals and mix of people. We are asking shareholders to approve an increase to the ceiling on Directors' fees collectively to £300,000. Our total combined fees are well below this, but it enables us where necessary, to carry an extra member of a Board to ensure overlap with a new position.

I would like to say in my final Chairman's statement how much I appreciate the professionalism and the skills of our two key service providers, Stewart Investors as the Portfolio Manager and Frostrow, as our AIFM, administrator and company secretary. Although my time in the investment industry now exceeds 50 years, I never stop learning, and it has been a privilege to work with such able people. Where Stewart Investors are concerned, their team of portfolio managers are dedicated to understanding their companies and are fully grafted to a unique investment philosophy. I shall of course continue to be a shareholder, expecting to be well satisfied with what the Trust will offer.

Regulatory Developments

The Company looks forward to the publication of the FCA's policy statement on, and the implementation of, the UK Sustainability Disclosure Requirements ("UK SDR"). Stewart Investors adopt a sustainable investment strategy in selecting the investments that make up the Company's portfolio and aim to generate strong long-term, risk-adjusted returns by investing in the shares of high-quality companies that are particularly well positioned to contribute to and benefit from sustainable development in the Asia Pacific Region. Given this long-standing sustainable investment strategy, the Company will seek to comply with, and report against, a high standard of sustainability disclosures under the UK SDR once the categorisations and requirements of this regime have been confirmed. Although it is not currently expected that the UK SDR will change Stewart Investors' strategy in managing the Company's portfolio, the Board notes that the Company's investment objective and policy may require further amendment, and approval by shareholders, in order to meet the regulatory requirements governing sustainability disclosures going forward. The FCA has stated its intention to publish the UK SDR policy statement in the third quarter of 2023. The Board will provide a further update to shareholders in due course and, to the extent required, seek shareholder approval for any necessary changes to the Company's investment objective and policy once the details of the UK SDR are known.

The Annual General Meeting

This year's Annual General Meeting will be held at 12 noon on Monday, 3 July 2023, at the offices of Stewart Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB. As well as the formal proceedings, there will be an opportunity for shareholders to meet the Board and the Portfolio Manager, and to receive an update on the Company's strategy and its key investments.

I encourage all shareholders to exercise their right to vote at the AGM. The Board strongly encourages shareholders to register their votes online in advance (information on how to vote can be found on page 96). Registering your vote in advance will not restrict shareholders from attending and voting at the meeting in person should they wish to do so. As investors we take corporate governance seriously among the companies that we own in the Trust's portfolio, and we urge you, our shareholders, to follow suit and vote on the resolutions that are proposed, as we directors intend to do ourselves.

The Outlook

Our investment universe covers an area that contains over 60% of the world's population, and an ever growing proportion of global GDP. Generalising about such varied countries is always hazardous, which makes predicting the short-term future hard. However, we note that the anxieties about interest rates, inflation, and financial accidents seem to diminish the further you move away from the developed world. There can be no isolation from difficult global trends, but there is a feeling of greater self-sufficiency in Asia than there was a few years ago. Our goal is to invest for the long term alongside successful and experienced local business leaders. The rewards that will accrue come from satisfying the needs of a huge and growing middle class, from exploitation of technological inventiveness, and from skilful management.

James Williams
Chairman

9 May 2023

Investment Portfolio

as at 31 January 2023

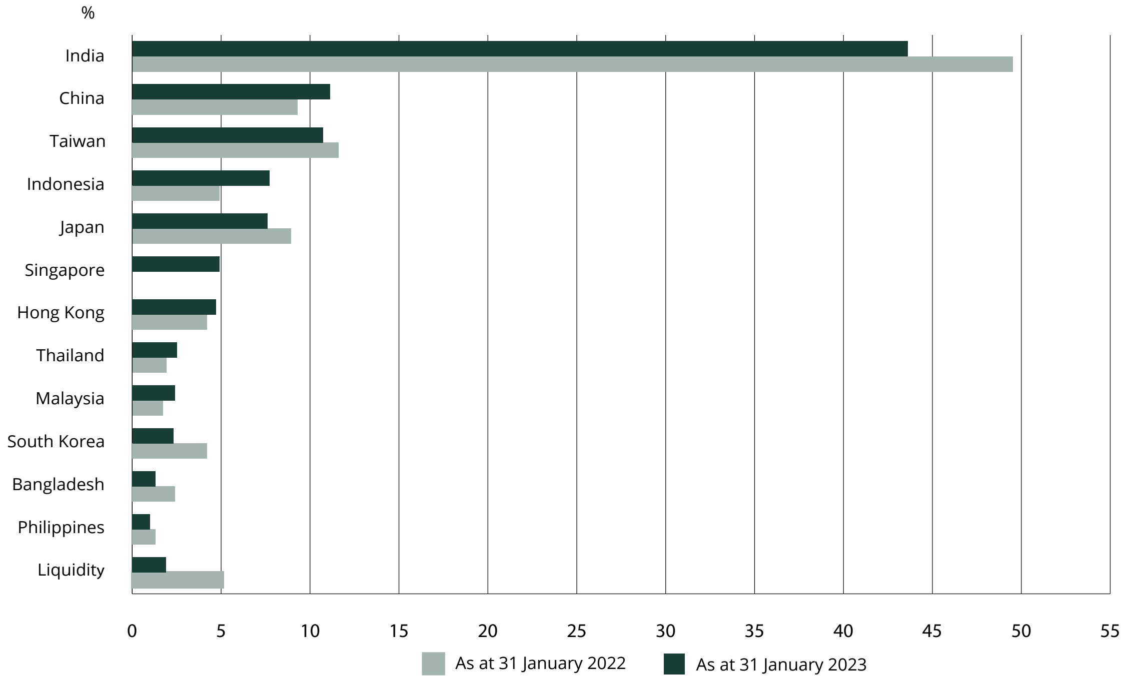
Company	Country	MSCI Sector	Market valuation £'000	% Net assets
CG Power & Industrial Solutions	India	Industrials	33,106	7.0%
Mahindra & Mahindra	India	Consumer Discretionary	28,591	6.0%
Tube Investments of India	India	Consumer Discretionary	25,997	5.5%
Unicharm	Japan	Consumer Staples	15,805	3.3%
Oversea-Chinese Banking Corporation	Singapore	Financials	15,454	3.3%
Marico	India	Consumer Staples	13,204	2.8%
Voltronic Power Technology	Taiwan	Industrials	12,698	2.7%
Shenzhen Inovance Technology	China	Industrials	11,595	2.5%
Hoya	Japan	Health Care	11,581	2.4%
Techtronic Industries	Hong Kong	Industrials	11,513	2.4%
Top 10 Investments			179,544	37.9%
Koh Young Technology	South Korea	Information Technology	11,139	2.3%
Vitasoy International	Hong Kong	Consumer Staples	10,787	2.3%
Housing Development Finance Corporation	India	Financials	10,449	2.2%
Elgi Equipments	India	Industrials	9,827	2.1%
Vinda International	China	Consumer Staples	9,654	2.0%
Tata Consumer Products	India	Consumer Staples	9,382	2.0%
PT Kalbe Farma	Indonesia	Health Care	8,905	1.9%
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	8,657	1.8%
Humanica	Thailand	Information Technology	8,545	1.8%
Shanthi Gear	India	Industrials	7,634	1.6%
Top 20 Investments			274,522	57.9%
Sheng Siong Group	Singapore	Consumer Staples	7,631	1.6%
Aavas Financiers	India	Financials	7,402	1.6%
Glodon	China	Information Technology	7,369	1.6%
Kotak Mahindra Bank	India	Financials	7,174	1.5%
Chroma ATE	Taiwan	Information Technology	7,108	1.5%
Delta Electronics	Taiwan	Information Technology	6,454	1.4%
Advanced Energy Solution	Taiwan	Industrials	6,405	1.3%
Bank OCBC NISP	Indonesia	Financials	6,310	1.3%
Selamat Sempurna	Indonesia	Consumer Discretionary	6,285	1.3%
Advantech	Taiwan	Information Technology	6,246	1.3%
Top 30 Investments			342,908	72.3%

Company	Country	MSCI Sector	Market valuation £'000	% Net assets
Cholamandalam Financial	India	Financials	6,217	1.3%
Tata Consultancy Services	India	Information Technology	6,213	1.3%
Vitrox	Malaysia	Information Technology	5,943	1.3%
Godrej Consumer Products	India	Consumer Staples	5,800	1.2%
PT Unilever Indonesia	Indonesia	Consumer Staples	5,665	1.2%
Amoy Diagnostics	China	Health Care	5,414	1.1%
Unicharm Indonesia	Indonesia	Consumer Staples	5,161	1.1%
Tokyo Electron	Japan	Information Technology	4,848	1.0%
Philippine Seven	Philippines	Consumer Staples	4,835	1.0%
Guangzhou Kingmed Diagnostics	China	Health Care	4,496	1.0%
Top 40 Investments			397,501	83.8%
PT Industri Jamu dan Farmasi Sido Muncul	Indonesia	Consumer Staples	4,393	0.9%
Dr Lal Pathlabs	India	Health Care	4,364	0.9%
Infosys	India	Information Technology	4,339	0.9%
Dabur India	India	Consumer Staples	4,328	0.9%
Public Bank	Malaysia	Financials	4,288	0.9%
Tarsons Products	India	Health Care	4,265	0.9%
Tata Communications	India	Communication Services	4,121	0.9%
Pigeon Corporation	Japan	Consumer Staples	3,926	0.8%
Centre Testing International Group	China	Industrials	3,834	0.8%
Kasikornbank	Thailand	Financials	3,456	0.7%
Top 50 Investments			438,813	92.5%
Airtac International	Taiwan	Industrials	3,394	0.7%
Silergy	China	Information Technology	3,317	0.7%
Dr. Reddy's Laboratories	India	Health Care	3,309	0.7%
Indiamart Intermesh	India	Industrials	3,309	0.7%
Yifeng Pharmacy Chain	China	Consumer Staples	3,284	0.7%
Tech Mahindra	India	Information Technology	3,280	0.7%
Marico Bangladesh	Bangladesh	Consumer Staples	3,240	0.7%
Syngene International	India	Health Care	2,668	0.6%
Foshan Haitian Flavouring & Food	China	Consumer Staples	1,988	0.4%
DBH Finance	Bangladesh	Financials	1,960	0.4%
Info Edge	India	Communication Services	1,918	0.4%
Zhejiang Supor	China	Consumer Discretionary	1,831	0.4%
Pentamaster International	Malaysia	Information Technology	1,181	0.3%
Brac Bank	Bangladesh	Financials	906	0.2%
Total Investments			474,399	100.0%

Investment Portfolio continued

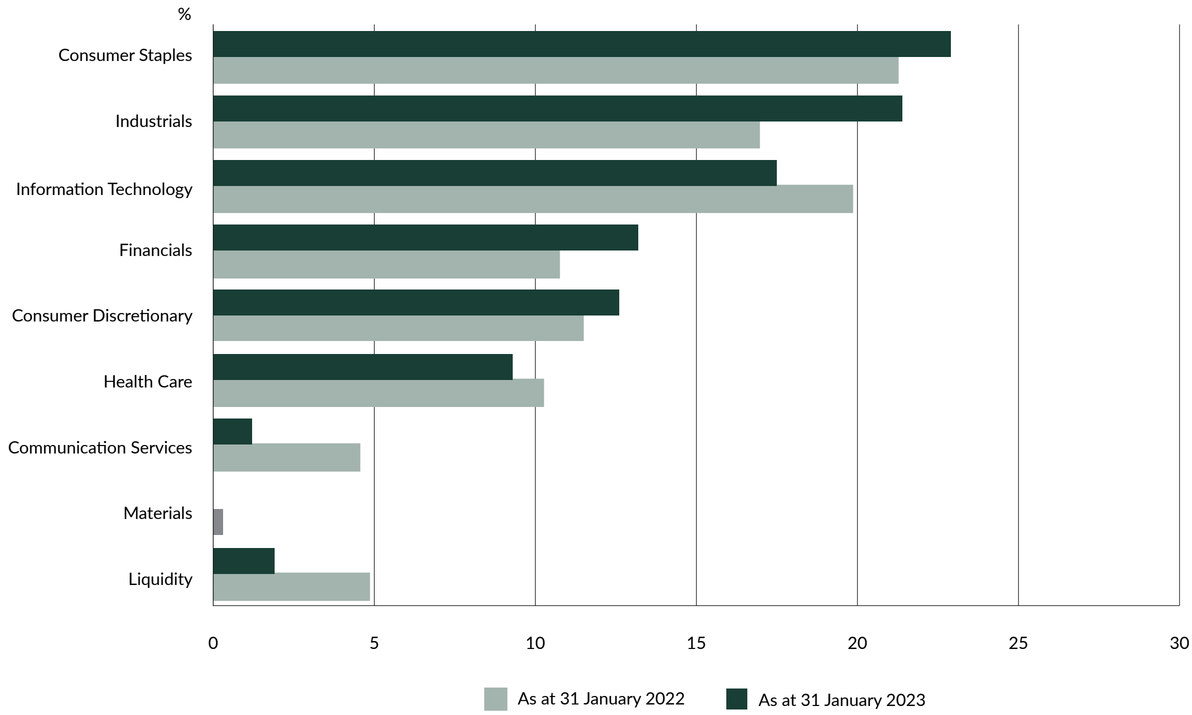
Portfolio Distribution

Geographical Analysis



Source: Frostrow Capital LLP

Sector Analysis



Source: Frostrow Capital LLP

Portfolio Manager's Review

"The opportunities for high quality companies to contribute to, and benefit from, the sustainable development of the region are immense."

The Company is managed with a long-term philosophy that values capital preservation alongside capital growth. We do not believe that the respect given to downside protection constrains the long-term potential to grow the net asset value of the Trust in any way. Rather, we see it as a vital component in the ability to generate long-term growth.

There are common characteristics that companies which fail to protect and grow capital share with one another. These include, but are not limited to, a history of corruption, short-time horizons, government connections, bad capital allocation, poor sustainability positioning, lack of pricing power, unproven business models, mountains of debt and fragile cash flows.

We aim to filter out these poor-quality features as we believe their presence increases the vulnerability of the business, its stream of cash flows, and ultimately its share price. The presence of such characteristics by no means guarantees that a company will automatically fall foul of some universal law of failure, only that it will tend to fail our quality threshold criteria and desire to own the company for the next ten years.

An emphasis on capital preservation allows us to quickly eliminate many companies across the region, leaving a far smaller set of companies with which to study quality in greater detail. From here, we spend the vast majority of our time trying to understand the people that make up a business, whether that be the ultimate owner, the management team or the culture that proliferates the whole organisation. We do so because we believe it is the quality of the people and the decisions they make on a daily basis that creates, and protects the pricing power, exceptional returns on capital or enduring growth outcomes enjoyed by quality businesses. Simply, it is people who impact the long-term success or failure of a business. Importantly we do not rely on auditors, ESG scores or other outside entities to tell us who to trust.

A consequence of looking for people we trust to take a long-term view and behave in the best interests of stakeholders is that 90% of companies in the Trust have a long-term owner at the helm. These stewards have their own capital invested alongside the Trust while also sharing the Trust's time horizon and philosophy of long-term capital protection and growth. For those companies without a long-term steward, we are looking for cultures that exhibit the same values. Because we are free from having to use a benchmark index as a starting point when constructing our portfolio, there is no pressure for us to expose the Trust's capital to a particular company, sector or country if we believe the risk of capital loss is too high.

Macroeconomic Volatility

Much has been written, and forecast, about the direction of travel for interest rates and inflation. We aim to avoid falling into the trap of allowing top-down noise to distract and shorten time horizons. If we are true to our philosophy and build a diversified portfolio of high-quality businesses at reasonable valuations, there should be little need for us to alter geographic or sector exposure on account of a shift in economic rhetoric. We invest in companies not countries. This was the case last year and over every period Stewart Investors has had the privilege of managing the Trust. As stewards, we would not be fulfilling our obligation to shareholders if we built a portfolio with a high likelihood of severe capital loss should there be any slight variation in the macroeconomic environment.

Portfolio Manager's Review continued

A bottom-up approach to filtering out poor quality companies leads us to companies which should have a greater ability than most to survive, and prosper, across macroeconomic cycles. The Trust is home to companies who enjoy attractive margins and long track records of pricing power. The average age of the companies in the Trust is 45; inflation is not new to these businesses. Institutional memory of years when inflation sat at levels materially higher than today ensures these businesses are purposefully robust. These businesses should also be relatively resilient to changes in interest rates. The vast majority of the companies in the Trust have more cash than debt on their balance sheets and can fund investment in future growth through their own cash flow generation. This offers freedom from the pressure to appease banks and capital markets - stakeholders who tend to be very short-term.

Political Volatility

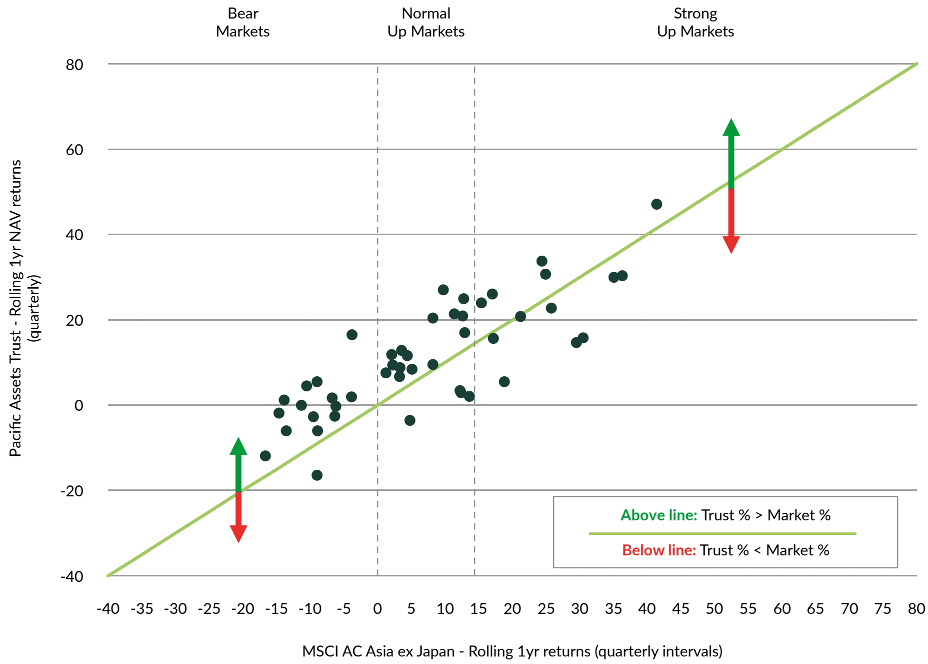
Unanticipated political change is not new to Asian markets but last year perhaps marked one of the most significant junctures in the region's history. With Xi Jingping being confirmed as President of the Chinese Communist Party ("CCP") for an unprecedented third term, his preferences, fears and ambitions will be those that drive China for the foreseeable future. The Trust has had minimal exposure to Chinese listed companies over the course of the last ten years. This is not the result of a top-down view of politics, or growth, or demographics but due to an inability to find companies that meet our quality and valuation thresholds. Most companies in China are either state-controlled or state-owned so are easily avoided by us on 'quality of people' grounds; misalignment with controlling shareholders, especially governments, is an easy way of losing capital.

The Trust now owns nine Chinese companies: each has a private entrepreneur, family or steward behind it who we trust to continue their track record of treating minority investors fairly while building unique and enduring franchises. A consequence of our lens of asking "what could go wrong?" as well as "what can go right?" has been our need to appraise how businesses in China are aligned with the objectives and aims of Xi and his CCP. This focus on capital protection allowed the Trust to avoid the redrawing of the rules in the Chinese education and fintech sectors. Again, thanks to our ability to be truly bottom up, we can be very picky in the companies we choose to own in China. If we were to see a deterioration in the industries in which our companies operate, greater political involvement or stretched valuations there should be no surprise if the Trust's exposure to China were to fall again.

Investment Returns

Over the year to 31 January, the net asset value of the Trust returned 5.7%. Using the MSCI All Country Asia ex Japan Index (the "Index") as a reference point, the chart overleaf provides one way of visualising the Trust's track record. Every one-year rolling period since Stewart Investors started managing the Trust is represented by a dot (taken at quarterly intervals). Every dot below the line represents a year of underperformance against the Index, every dot above the line, outperformance. Focusing only on years where the Index has delivered returns of less than 0% highlights the ability of companies owned within the Trust to survive and prosper under most periods of stress.

The chart also shows that the Trust tends to, more often than not, underperform fast rising markets; these are often markets where the types of poor-quality companies we aim to avoid are in favour. It may not be the most exciting proposition, growing wealth over the long term by focusing on the downside, but we believe it offers shareholders an attractive way to gain exposure to the fantastic opportunities available in the Asian region.



Markets with <0% return (rolling 1yr basis)	%
Pacific Assets Trust NAV Total Return – average %	-1.1
MSCI AC Asia ex Japan Index – average %	-9.6

Extending the frame of performance to three, five and seven years – time periods more in-line with our investment horizon - the Trust has delivered satisfactory levels of capital appreciation.

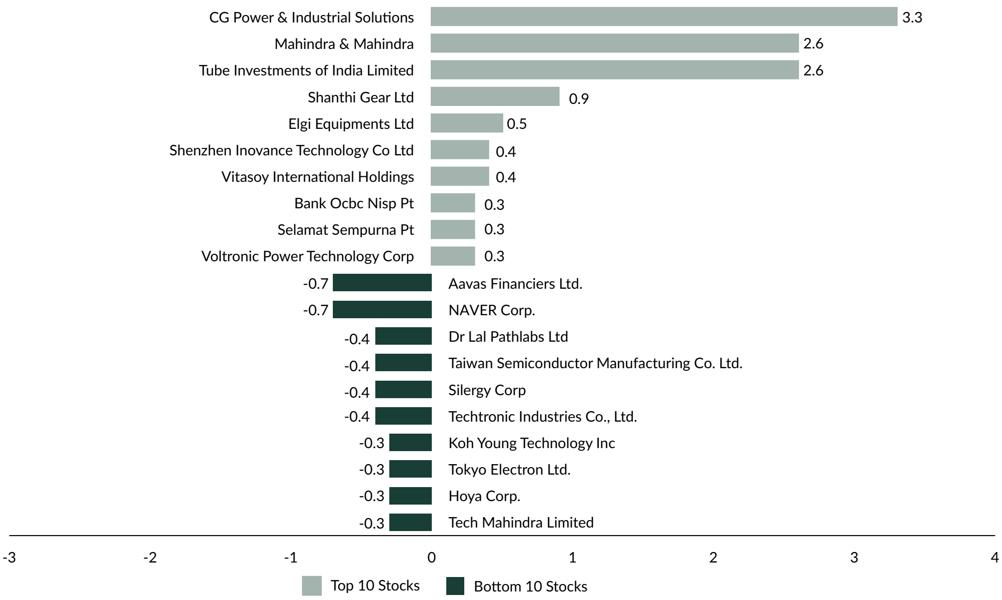
Annual Performance (% in GBP) to 31 January 2023	12mths to 31/01/23	12mths to 31/01/22	12mths to 31/01/21	12mths to 31/01/20	12mths to 31/01/19
NAV	5.7	9.0	21.8	4.1	4.7
Share Price	5.9	2.9	25.8	-0.8	8.1
CPI + 6%	17.3	11.9	6.8	7.5	8.4
MSCI AC Asia ex Japan Index (Net)	-2.2	-9.2	30.7	5.0	-7.7

Cumulative Performance (% in GBP) to 31 January 2023	Since inception (01/07/2010)	7 years	5 years	3 years	1 year
NAV	270.2%	118.5%	52.9%	40.3%	5.7%
Share Price	274.5%	102.7%	47.0%	37.1%	5.9%
CPI + 6%	199.7%	92.5%	63.3%	40.1%	17.3%
MSCI AC Asia ex Japan Index (Net)	134.7%	95.3%	12.5%	16.0%	-2.2%

These figures refer to the past. Past performance is not indicative of future performance. For investors based in countries with currencies other than GBP, the return may increase or decrease as a result of currency fluctuations. Source for Pacific Assets Trust plc: Lipper IM/Bloomberg/ Trust Administrator. The NAV performance data is calculated on a net basis after deducting all fees (e.g. investment management fee) and costs (e.g. transaction and custody costs) incurred by the Trust. The NAV includes dividends reinvested on a net of tax basis. Source for comparator benchmark index: FactSet. Table data is shown versus the MSCI AC Asia ex Japan Index, calculated on an income reinvested net of tax basis. Source for Consumer Price Index (CPI) + 6% data: FactSet. CPI data is quoted on a one month lag. Performance calculated from when Stewart Investors became Portfolio Manager of the Trust on 1 July 2010.

Portfolio Manager's Review continued

Contribution by investment for the year ended 31 January 2023
Top 10 contributors to and detractors from absolute performance (%)



Contributors

During the year under review, the Trust's material ownership of Indian companies, especially those with exposure to a return of capital spending and industrial growth, was a key contributor to absolute performance.

CG Power & Industrial Solutions
(India: Industrials)

Contribution: 3.3%

We acquired CG Power in the first quarter of 2021, very quickly after Tube Investments took a controlling stake. Previous owners had abused their power resulting in their creditors taking control of the company, putting it up for sale, and Tube Investments subsequently taking ownership. CG Power is the leading manufacturer of motors in India, a high-quality franchise with fantastic long-term avenues for growth. It has performed well thanks to a greater appreciation of the opportunities under Tube Investment's ownership as well as very attractive levels of underlying growth. Had we not followed the actions of quality people we trust we would not have found nor invested in CG Power. It certainly would not have appeared in a very favourable light had it been put through a quantitative screen.

Mahindra & Mahindra Ltd
(India: Consumer Discretionary)

Contribution: 2.6%

The Trust has owned this company for more than five years and, again, a change in the management team drove us to increase our position size. During the depths of the Covid-19 pandemic, Mahindra & Mahindra appointed a new CEO with the remit to address issues stemming from historically poor capital allocation. Since then we have seen material improvement in the quality of the business, continued dominance of the tractor market and the development of ambitious plans for their farm equipment and electric mobility businesses.

Tube Investments of India
(India: Consumer Discretionary)

Contribution: 2.6%

The Trust has owned Tube for close to ten years but materially increased its position in 2017 when a new CEO took over this fourth generation family company. His intention was to evolve Tube away from its existing businesses - parts for the auto and rail industries, as well as bicycles - to an industrial conglomerate with leadership positions across higher value industries. This was to be done in a manner similar to that achieved by the high performing conglomerates we have studied in the US or Europe: taking free cash flow from existing businesses and expanding, both organically and through mergers and acquisitions ("M&A"), into higher quality industries. Since 2017, Tube has grown its sales at more than 20% a year, its free cash flow at a higher rate, while improving its return on capital employed ("ROCE") from 22% to 47%[1]. We have also seen the company embark on high quality M&A while organically entering the fields of electric mobility and manufacturing in the IT industry.

[1] Source: Tube Investments, 2021-22 Annual Report and FactSet

Detractors

Aavas Financiers
(India: Financial Services)

Contribution: -0.7%

The Trust has owned Aavas since 2020 as we believe the company to be a very well run, conservative provider of mortgages to low income households in India. The share price looks to have come under pressure as Aavas has chosen to constrain short-term profitability as they invest in scaling the business. We are very comfortable with this approach as the long-term potential remains vast and this kind of behaviour is usually emblematic of a patient mindset. We have added to the position in recent months.

NAVER Corp.
(South Korea: Information Technology)

Contribution: -0.7%

NAVER has struggled to find new avenues for profitable growth as it seeks to diversify away from its core search business. We sold the position during the year as we failed to gain conviction in the long-term growth profile of the company as well as their capital discipline.

Dr Lal Pathlabs
(India: Healthcare)

Contribution: -0.4%

Like so many other companies that enjoyed spectacular growth on the back of Covid-19-induced tailwinds, Dr Lal's earnings growth has deteriorated dramatically over the short term. Alongside the reversal of unsustainable growth in testing volumes, the Indian diagnostic industry has also experienced increased intensity of pricing: this combination of headwinds has led to heightened levels of uncertainty in the sector. We remain long-term owners of the company as we believe Dr Lal's brand and scale advantages should allow them to survive the current period of stress and become a long-term winner as the market consolidates around trusted players.

Significant Transactions

Over the course of the year, the turnover of the Trust was 16%. The majority of the turnover was driven by the need to control the weight of the largest positions namely, Tube Investments and CG Power. Without intervention, these two positions would have run to more than 20% of the portfolio. Although we believe in a portfolio that honestly reflects our conviction, we do not want the Trust to become overly exposed to a few companies, particularly if they operate in similar industries.

We initiated positions in six new companies last year with the purchases of **Public Bank** (Malaysia: Financials), **Kalbe Farma** (Indonesia: Healthcare) and **Oversea-Chinese Banking Corporation** (Singapore: Financials) being discussed in the Company's last half year report. The most significant new holding in the second half of the year was **Advanced Energy Solutions** ("AES") (Taiwan: Industrials), a company focused on the design and manufacture of battery packs used in electric bikes, electric vehicles and servers. Despite the very obvious tailwinds created by growing demand and investment in electric mobility, as well as lithium batteries, we have struggled to find companies that meet our quality threshold. AES bucks that trend with robust margins and attractive returns thanks to long-standing relationships with customers who trust AES to build a valuable input that has a significant bearing on the quality and performance of the end product.

As discussed earlier, the Trust's exposure to India had a positive contribution to performance last year. With that outperformance came some extended valuations that required reducing position sizes. Holdings in consumer names such as **Dabur India** (India: Consumer Staples) and **Marico** (India: Consumer Staples) were trimmed as was the large holding in the air compressor manufacturer **Elgi Equipments** (India: Industrials). The relative weakness in Chinese markets offered the opportunity to add to some of our favourite names: **Shenzhen Inovance** (Industrials), **Kingmed Diagnostics** (Health Care), **Glodon** (Information Technology) and **Amoy Diagnostics** (Health Care).

Looking Forward

As always, we remain excited about the potential for the long-term, active investor in the Asian region. Our continued focus on owning high-quality companies run by high-quality people should continue to provide capital preservation in times of stress while allowing the Trust to participate in the exceptional long-term growth opportunities that Asia offers.

Stewart Investors
Portfolio Manager
9 May 2023

Sustainability and ESG

Environmental, Social & Governance Policy

The Board believes that consideration of environmental, social and governance ("ESG") issues within the Company's operations is of importance to shareholders and other stakeholders, not least because long-term returns are much more likely to be generated by companies that have embedded corporate governance strengths, and which respect the environment and the society in which they operate. The Board believes that this investment approach is readily applicable in the markets in Asia in which the Company invests.

As the Company delegates the management of the portfolio to Stewart Investors, the Board has chosen to adopt and endorse their approach to integrating sustainability into portfolio construction and investee company engagement. This approach is described in detail in this section. As part of this focus on sustainability, the Board expects ESG concerns to be a key topic of engagement with investee companies. The Company expects to maintain, through its Portfolio Manager, a continuous constructive dialogue with the owners and the managers of the companies where it owns shares. Such a relationship is enhanced by the long-term nature of the investment inherent in the Portfolio Manager's investment approach, reassuring companies of stability.

In the same way as the Board expects the Portfolio Manager to test investee companies on their ESG adherence, the Board will also assess the Company's principal service providers. The Board asks for assurances that a service provider has taken the necessary steps to mitigate any negative environmental impact their operations might have, to ensure that their internal governance is compliant with expected high standards, and that they strive to avoid negative social impacts resulting from their activities.

Similarly, the Board itself strives to uphold the highest ESG standards. The Board's operations mainly consist of governance-related matters, where it is important to the Directors to be at the forefront of best practice.

As best practice, regulation and disclosure are evolving rapidly in this area both for the Company and for the companies in which it invests, the Board regularly discusses sustainability, including ESG policy and practice, with the Portfolio Manager, encouraging where possible further enhancements in both the policy and in reporting to shareholders.

Stewart Investors' Approach to Sustainable Investing and ESG

Sustainability is core to Stewart Investors' investment philosophy and integrated into their investment process. They do not have a separate team that looks at sustainability – every investment team member analyses the sustainability positioning of a business, and is also responsible for engaging and voting activities.

Stewart Investors only invest in high-quality companies that contribute to, and benefit from, sustainable development. They define development as sustainable if it furthers human development and has an ecological footprint that respects planetary boundaries. All members of the investment team sign the Stewart Investors, Hippocratic Oath[1], pledging to uphold the principles of stewardship.

They approach sustainability as a means to mitigate risks and as a driver of investment returns. Integrating sustainability into their analysis is a natural extension of having a long-term investment horizon; the sustainability headwinds and tailwinds that affect companies are different from the shorter-term risks that businesses face.

Their consideration of sustainability is holistic; it includes ESG but is more than ESG. They consider financial sustainability – conservatism around the balance sheet, for example – and stewardship by management – the treatment of all stakeholders through a crisis, for example – to be as essential to the sustainability positioning of a company as the product or service the company sells.

[1] https://www.stewartinvestors.com/uk/en/private-investor/how-we-invest/sustainable-investing/our-hippocratic-oath.html

When assessing a company's sustainability they ask themselves the following questions:

- **Products and services –** Do the products and services make a valuable contribution to sustainable development?
- **Context –** Can the company benefit from sustainability tailwinds and negative headwinds?
- **Company ethos –** Do the culture and values embody sustainability and continuous improvement?
- **Operational impact –** Is the company trying to reduce impacts from its operations?

They avoid companies that do not contribute to sustainable development and engage with companies to improve sustainability outcomes.

Stewart Investors has established a materiality threshold for harmful or controversial activities at 5% of revenues – 0% for tobacco production and controversial weapons. They explicitly seek to invest in companies that are making a positive contribution to society. Full details of the activities and practices Stewart Investors finds inconsistent with their investment philosophy are available on their website[2].

Stewart Investors employ the services of an external ESG research provider to provide a quarterly check on the Trust to ensure companies meet global norms for best practices and raise no exceptions against their thresholds for harmful activities. They also receive controversy reporting from RepRisk.

Issues such as climate change, biodiversity and water, human rights and modern slavery, and diversity and inclusion are integrated into Stewart Investors' investment selection and engagement and voting processes. Their approach to climate change is explained in detail in their climate statement[3] and recently published climate report[4]. Their approach to biodiversity and water is reflected in their selection of companies that mitigate their impact on the natural environment or provide services/products that improve efficiencies. They have engaged on a number of related issues such as palm oil, deforestation, plastic waste and the use of harmful chemicals. Human rights and modern slavery are a risk throughout the supply chain of their investee companies. Their approach is to focus on quality companies that treat their employees well and manage the risks in their supply chain effectively. Where they identify problems they engage. Their recent collaborative engagement on conflict minerals in the semi-conductor supply chain is a good example of this. Their approach to diversity is explained in their statement[5] and article[6] about what they have done so far. They will provide updates on these issues, amongst others, in their quarterly shareholder updates.

Transparency

As part of their focus on improved transparency, Stewart Investors have developed a Portfolio Explorer tool[9] which provides four views of sustainable development for the Trust:

Map: This global view provides detailed company information including investment rationales, risks and engagement priorities.

Sustainable Development Goals ("SDGs"): The 17 SDGs are globally agreed goals that countries have committed to achieving by 2030. The SDGs offer a vision for the future towards which sustainable investment efforts can be directed.

Climate solutions: Companies are mapped to Project Drawdown's c.90 climate change solutions, which if scaled up, can deliver the Paris Agreement's 1.5°C temperature goal. Project Drawdown is a non-profit organisation providing analysis of the solutions which can help the world reach 'drawdown' – i.e. the future point in time when levels of greenhouse gases in the atmosphere stop climbing and start to decline. The solutions are diverse and cross-cutting, and show the systemic change needed to avoid catastrophic warming. The full set of solutions along with the research that backs them are publicly available on www.drawdown.org.

Human development pillars: Stewart Investors have developed 10 human development pillars inspired by the UN Human Development Index that they believe are essential for lifting people out of poverty and empowering them to achieve their potential.

Sustainable Finance Disclosure Regulation

The Portfolio Manager reports on how the Trust has met its sustainable investment objective, in accordance with the requirements of the Sustainable Finance Disclosure Regulation ("SFDR"), beginning on page 82 of this Annual Report.

[2] https://www.stewartinvestors.com/uk/en/private-investor/insights/our-position-on-harmful-and-controversial-products-and-services.html
[3] https://www.stewartinvestors.com/uk/en/private-investor/insights/climate-change-statement.html
[4] https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/PASSET-Climate-2021.pdf
[5] https://www.stewartinvestors.com/uk/en/private-investor/insights/diversity-statement.html
[6] https://www.stewartinvestors.com/uk/en/private-investor/insights/diversity-what-have-we-done.html

Sustainability and ESG continued

Case Study – CG Power

Website: https://www.cgglobal.com

Company profile: Motors and transmission equipment.

Stewardship: Family. Majority-owned by Tube Investments, which is part of the Murugappa family.

What Stewart Investors like:

- A reasonable quality franchise which is now well placed to return to its former glory under the quality stewardship of its new owners Tube Investments. The company was earlier driven to bankruptcy by its previous owners due to fraud and poor governance.
- A long overdue revival in India's industrial cycle could potentially fast track this turnaround.
- CG Power's products (motors, switchgears and transmission equipment) are crucial to the building and maintenance of key sustainable infrastructure in the subcontinent.

Risks: Stewart Investors believe that risks for the company include the new owners discovering more skeletons in the closet; and Indian industrial capex growth is lower than expected in the coming decade.

How the company is contributing to environmental outcomes
CG Power has developed ester oil filled transformers as a more sustainable alternative to mineral oil transformers, and are manufacturing polymer insulators instead of porcelain ones which are more prone to environmental destruction. The company's industrial systems segment includes electric motor products including for electric vehicles, electric buses, drives and industrial automation solutions and railways including traction equipment, traction electronics and signalling.

How the company is contributing to social outcomes:
CG Power is in the business of designing and manufacturing power generation and transmission products. Their transformers and motors are required in furthering access to uninterrupted electricity. They have also developed a Controlled Switching Device which limits inrush of current and helps protect infrastructure.

Relevant Sustainable Development Goals ("SDGs"):
SDG No. 9 – Industry, innovation and infrastructure

CG Power provide a comprehensive range of products, solutions and services for energy, water, infrastructure and agriculture industries, as well as many others.

SDG No. 11 – Sustainable cities and communities

CG Power supply high quality, "smart" electrical, industrial and consumer products and solutions all over the world helping customers to reduce emissions, noise and cost, as well as improving the reliability and safety of their operations.

Thematic Engagement Example – Conflict Minerals

Stewart Investors are progressing with a collaborative engagement initiative on conflict minerals (tantalum, tin, tungsten, gold and cobalt) in the semiconductor supply chain. These minerals are vital materials for the semiconductor industry. Poor traceability along complex supply chains can lead to the inadvertent financing of armed conflict and the abuse of human rights.

The initiative is supported by 160 investors representing US$6.6 trillion of assets under management. In 2022 Stewart Investors wrote to 29 companies encouraging them to develop and invest in traceability technology, to increase transparency/reporting from mine to product, to collaborate to improve industry practices, to impose/enforce harsher sanctions on non-compliance and to reduce demand for new materials by improving recycling. To date they have received responses from 22 companies, and met with 13 of them.

As part of the engagement, Stewart Investors have engaged with industry and civil bodies. They attended the Responsible Minerals Initiative (RMI) annual conference, and understand they are the first known investor to have done so. In addition, Stewart Investors have met with Global Witness to discuss their report: The ITSCI Laundromat: How a due diligence scheme appears to launder conflict minerals[7]. A summary of the findings is available in a short interview with Alex Kopp, an investigator at Global Witness[8].

It is extremely early days for this multi-year engagement but it is clear that tracing mineral provenance is a complex challenge and progress is likely to be slow.

[7] https://www.globalwitness.org/documents/20347/The_ITSCI_Laundromat_-_April_2022.pdf
[8] https://www.stewartinvestors.com/eea/en/professional/conflict-minerals-interview.html
[9] https://www.stewartinvestors.com/uk/en/private-investor/our-strategies/pacific-assets-trust.html?tabs-anchor=Pacific%20Assets%25Trust&active-tab=Portfolio%20Explorer

Business Review

The Strategic Report, set out on pages 1 to 33, contains a review of the Company's business model and strategy, an analysis of its performance during the financial year and its future developments as well as details of the principal risks and challenges it faces. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The purpose of the Company is to achieve long-term growth in our shareholders' wealth by providing a vehicle for investors to gain exposure to a portfolio of companies in the Asia Pacific region and the Indian sub-continent (but excluding Japan, Australia and New Zealand), through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective.

As an externally managed investment trust, all of the Company's day-to-day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Company employs Frostrow Capital LLP ("Frostrow") as its Alternative Investment Fund Manager (AIFM) and they provide corporate management, risk management, company secretarial and administrative services. The Company employs Stewart Investors as its Portfolio Manager (see pages 45 and 46 for further information).

The Board remains responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buybacks, share price and discount/premium monitoring, corporate governance matters, dividends and gearing.

Further information on the Board's role and the topics it discusses with the Portfolio Manager is provided in the Corporate Governance report beginning on page 36.

Investment Objective and Policy

The Company aims to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the "Asia Pacific Region"). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region (as defined above); at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

The Company invests in companies which Stewart Investors believe will be able to generate long-term growth for shareholders.

The Company invests principally in listed equities although it is able to invest in other securities, including preference shares, debt instruments, convertible securities and warrants. In addition, the Company may invest in open and closed-ended investment funds and companies.

The Company is only able to invest in unlisted securities with the Board's prior approval. It is the current intention that such investments are limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Company decides to continue to hold or is required to do so.

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. There are no defined limits on countries or sectors but no single investment may exceed 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

When deemed appropriate, the Company may borrow for investment purposes up to the equivalent of 10% of the net asset value of the Company at the time of drawdown of such borrowing.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, Stewart Investors are unlikely to use derivatives as they do not form part of their investment strategy.

Proposed Change to Investment Policy

As noted in the Chairman's Statement on page 6, the Board is proposing to formalise an internal limit that was agreed with the Portfolio Manager during the year, to limit exposure to a single country or jurisdiction to 45% of total assets at the time of investment and 49% of total assets at any time.

Accordingly, an ordinary resolution to approve this amendment to the investment policy is included in the Notice of AGM, beginning on page 98, and the full text of the proposed new investment policy can be found in the explanatory notes on pages 103 and 104. For the avoidance of doubt, the formalisation of the single country investment limit is the only proposed change to the Company's investment policy. The proposed amendment has been approved in principle by the Financial Conduct Authority in accordance with the requirements of the Listing Rules.

Performance Measurement

The Board measures Stewart Investors' performance against a performance objective, which is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6% (calculated on an annual basis) measured over three to five years (the "Performance Objective"). The Board also monitors the Company's performance against its peer group (see page 4 for details). Please refer to the Chairman's Statement beginning on page 6 and the Glossary on page 79 for further information.

Dividend Policy

It is the Company's policy to pursue capital growth for shareholders with income being a secondary consideration. This reflects that the Portfolio Manager is frequently drawn to companies whose future growth profile is more important than the generation of dividend income for shareholders.

The Company complies with the United Kingdom's investment trust rules which require investment trusts to retain no more than 15% of their distributable income each year. The Company's dividend policy is that the Company will pay a dividend as a minimum to maintain investment trust status.

The Board

At the date of this report, the Board of the Company comprises James Williams (Chairman), Charlotta Ginman, Sian Hansen, Robert Talbut, Edward Troughton and Andrew Impey. All of these Directors are non-executive, independent Directors. They all served throughout the year except for Andrew Impey who was appointed to the Board with effect from 1 August 2022.

Further information on the Directors can be found on pages 34 and 35 and information on the Board's diversity can be found in the Corporate Governance Report on page 42.

Key Performance Indicators

The Board of Directors reviews performance against the following measures ("KPIs"). The KPIs are unchanged from the prior year.

- NAV total return against the Consumer Price Index +6% (the "Performance Objective")*^
- NAV per share total return against the peer group*^
- Average discount/premium of share price to NAV per share over the year^
- Ongoing charges ratio^

* Calculated on an annual basis and measured over three to five years
^ Alternative Performance Measure (see Glossary beginning on page 79)

NAV per share total return – Performance Objective

The Directors regard the Company's net asset value total return as being the overall measure of value generated by the Portfolio Manager over the long term. Total return reflects both the net asset value growth of the Company and the dividends paid to shareholders. The performance objective of the Company is inflation (represented by the Consumer Price Index) plus 6%, measured over three to five years. The 6% represents what the Board considers to be a reasonable premium on investors' capital, which investing in the faster growing Asian economies ought to provide over time. The Performance Objective is designed to reflect that the Portfolio Manager's approach does not consider index composition when building and monitoring the portfolio.

Business Review continued

During the year under review, the NAV per share total return was 5.7% underperforming the Performance Objective by 11.6% (2022: NAV per share total return of 9.1%, underperforming the Performance Objective by 2.4%). Over the past three years, the annualised NAV per share total return was 11.9%, matching the Performance Objective. Over five years, the annualised NAV per share total return was 8.8%, underperforming the Performance Objective by 1.5% per annum.

A full description of performance during the year under review is contained in the Portfolio Manager's Review beginning on page 13.

NAV total return – peer group

The Board also monitors the Company's performance against its peer group of five other investment trusts with similar investment mandates and one exchange traded fund ("ETF").

Over the three and five years ended 31 January 2023, the Company ranked second in its peer group. The Company's performance is discussed in the Chairman's Statement beginning on page 6; further information can be found in the Portfolio Manager's Review beginning on page 13.

Average discount/premium of share price to NAV per share

The Board believes that the principal drivers of an investment trust's share price discount or premium over the long term are investment performance and a proactive marketing strategy. However, there can be volatility in the discount or premium during the year. Therefore, the Board takes powers each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium, in normal market conditions.

During the year under review no new shares were issued by the Company and no shares were bought back by the Company. The Company's share price discount to the NAV per share was at times wider than the peer group average and the Board kept this under close review. Please see pages 30 and 31 for information regarding how the Board addressed this issue during the year.

Average discount of share price to NAV per share*^ during the year ended	
31 January 2023	31 January 2022
10.1%	7.3%
Peer group average discount 8.9%	Peer group average discount 5.0%

* Source: Morningstar
^ Alternative Performance Measure (see Glossary beginning on page 79)

Ongoing charges ratio

Ongoing charges represent the costs that the Company can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and seeks to maintain a sensible balance between high quality service and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in relation to the Company's peers.

Ongoing charges ratio^	
31 January 2023	31 January 2022
1.1%	1.1%
Peer group average 0.9%	Peer group average 0.9%

^ Alternative Performance Measure (see Glossary beginning on page 79).

The Board believes that the Company's relatively low turnover, and the absence of any cost of capital associated with gearing, will mean that the Company's overall running costs - should these costs be factored into the calculation - are not necessarily as high as some other investment vehicles. It should also be noted that the Trust does not have a performance fee. Performance fees are not included in the peer group average ongoing charges ratio.

Risk Management

The Board is responsible for managing the risks faced by the Company. Through delegation to the Audit Committee, the Board has established procedures to manage risk, to review the Company's internal control framework and to establish the level and nature of the principal risks the Company is prepared to accept in order to achieve its long-term strategic objective. The Board, meeting as the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Company with the assistance of the AIFM. A process has been established to identify and assess risks, their likelihood and the possible severity of their impact.

These principal risks are set out on the following pages with a high-level summary of their management through mitigation and status arrows to indicate any change in assessment during the year. The risks faced by the Company have been categorised under three headings as follows:

- Investment and financial risks
- Strategic risks
- Operational risks

A summary of these risks and their mitigation is set out below:

Principal Risks and Uncertainties	Mitigation	Change in risk assessment over the last financial year
Investment and Financial Risks		
Market and Foreign Exchange Risk		
The Company's portfolio is exposed to fluctuations in market prices (from both individual security prices and foreign exchange rates) in the regions and sectors in which it invests. Emerging markets in the Asia Pacific region, in which the portfolio companies operate, are expected to be more volatile than developed markets. Stewart Investors' approach is expected to lead to performance that will deviate from that of comparators, including both market indices and other investment companies investing in the Asia Pacific Region.	To manage these risks the Board has appointed Stewart Investors to manage the portfolio within the remit of the investment objective and policy. Compliance with the investment objective and investment policy limits is monitored daily by Frostrow and Stewart Investors and reported to the Board monthly. The investment policy limits ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Stewart Investors report at each Board meeting on the performance of the Company's portfolio, including the rationale for investment decisions, the make-up of the portfolio, and the investment strategy. As part of its review of the viability of the Company, the Board also considers the sensitivity of the Company to changes in market prices and foreign exchange rates (see note 14 beginning on page 75), how the portfolio would perform during a market crisis, and the ability of the Company to liquidate its portfolio if the need arose. Further details are included in the Going Concern and Viability Statements on page 32. During the year, the Board took further steps to mitigate market risk by introducing a new investment guideline limiting exposure to single jurisdictions (please refer to the Chairman's Statement for further details).	
Counterparty Risk		
The Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is J.P. Morgan Chase Bank, the Custodian, which is responsible for the safekeeping of the Company's assets.	Counterparty risk is managed by the Board through: > review of the arrangements with, and services provided by, the Custodian to ensure that the security of the Company's custodial assets is maintained; > monitoring the Custodian, including review of internal control reports and sub-custodial arrangements, as appropriate; and > review of Stewart Investors' approved list of counterparties, the process for monitoring and adding to the approved counterparty list, and the Company's use of those counterparties. Under the terms of the contract with J.P. Morgan Chase Bank, the Company's investments are required to be segregated from J.P. Morgan Chase Bank's own assets. Further information on other financial risks can be found in note 14 beginning on page 75.	

No change   Increased   Decreased

Business Review continued

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year
Strategic Risks		
Geopolitical Risk		
Geopolitical events may have an adverse impact on the Company's performance by causing exchange rate volatility, changes in tax or regulatory environments, a reduced investment universe and a fall in market prices.	The Board regularly discusses global geopolitical issues and general economic conditions and developments. Political changes in recent years, particularly in the US and Asia Pacific region and more recently in Ukraine and Eastern Europe, have increased uncertainty and volatility in financial markets. The Board discusses such developments and how they may impact decision making with Stewart Investors. As a result of the instability caused by the ongoing war in Ukraine, and increasing tensions between the West and China, the Board considers that geopolitical risk has increased during the year.	
Climate Change Risk		
The Board is cognisant of risks arising from climate change and the impact climate change events could have on portfolio companies and their operations, as well as on service providers to the Company.	The Board regularly reviews global environmental, geopolitical and economic developments with the Portfolio Manager and the implications of these risks and events on portfolio construction and the Company's operations. Given Stewart Investors' focus on sustainability as set out on pages 18 to 21, the Board considers the portfolio to be relatively well positioned in this regard.	
Black Swan Risk		
A significant unpredictable event (e.g. a pandemic/war/closure of a major shipping route) could lead to increased market volatility, and in a worst-case scenario, major global trade and supply chain breakdown resulting in significant volatility/declines in market prices. The Company's service providers and their operational systems may also be affected.	The Board monitors emerging risks and the robustness of Stewart Investors' and other service providers' business continuity plans. Stewart Investors' investment approach includes a focus on sustainability and stewardship, which emphasises quality investments with strong balance sheets, a proven track record in previous crises, and the protection of shareholders' funds, leaving them relatively well positioned to deal with unforeseen events. All of the Company's service providers are required to have business continuity / disaster recovery policies and test them at least annually. Service providers provide updates on contingency plans for coping with major disruption to their operations.	

No change Increased Decreased

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year
Portfolio Management Key Persons Risk		No change
There is a risk that the team responsible for managing the Company's portfolio may leave their employment or may be prevented from undertaking their duties.	The Board manages this risk by: > receiving regular reports from the Portfolio Manager, including any significant changes in the make-up of the portfolio management team; > meeting the wider team supporting the designated lead manager, at both Board meetings and at the Portfolio Manager's offices; and > delegating to the Engagement & Remuneration Committee responsibility to perform an annual review of the service received from the Portfolio Manager, including, *inter alia*, the team supporting the lead manager and their succession planning.	
Share Price Risk		No change
The Company is exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company underperforms its peer group, fails to achieve its Performance Objective and becomes unattractive to shareholders, resulting in a widening of the share price discount to the NAV per share.	In managing this risk the Board: > reviews the Company's investment objective and policy, and Stewart Investors' investment approach, in relation to investment performance, market and economic conditions and the performance of the Company's peers; > regularly discusses the Company's future development and strategy; > undertakes a regular review of the level of the share price discount/ premium to the NAV per share and considers ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and share buybacks, where appropriate; and > reviews an analysis of the shareholder register at each Board meeting and is kept informed of shareholder sentiment.	

No change   Increased   Decreased

Business Review continued

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year
Operational Risk		
Operational Risk		Increased
As an externally-managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administration, financial and other functions. If such systems were to fail or be disrupted (including, for example, as a result of cyber-crime or a pandemic) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.	To manage these risks the Board: > periodically visits all key service providers to gain a better understanding of their control environment, and the processes in place to mitigate any disruptive events; > receives a monthly report from Frostrow, which includes, *inter alia*, confirmation of compliance with applicable laws and regulations; > reviews internal control reports and key policies of its service providers, including disaster recover procedures and business continuity plans; > maintains a risk matrix with details of the risks to which the Company is exposed, the approach to managing those risks, the key controls relied upon and the frequency of the controls operation; > receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes; and > has considered the increased risk of cyber-attacks and received reports and assurance from its service providers regarding the information security controls in place. As a result of the Board's ongoing assessment of cyber risk, the Board decided during the year that the risk of cybercrime had increased.	

No change Increased Decreased

Emerging Risks

Emerging risks are discussed in detail as part of the risk review process and also throughout the year to try to ensure that new (as well as known) risks are identified and, so far as practicable, mitigated. Current identified emerging risks are as follows:

1. The risk that 'onshoring' will increase uncertainty over corporate investment plans and damage the growth prospects of companies in the Asia Pacific Region. 'Onshoring' refers to the recent trend for corporations to try to secure their supply chains by relocating their business production and operations within their domestic national borders. The trend has taken hold in response to the disruptions of the Covid-19 pandemic and increased concerns over the impact of geopolitical uncertainty.
2. The risk that persistent inflation will continue to undermine equity markets and cause greater volatility in Asian markets.
3. The risk that increasing water scarcity will affect economic development, potentially leading to mass migration and political conflict in the Asia Pacific Region. This is a particular threat in India, where a high proportion of the Company's assets are invested, and which the UN identifies as one of the most water-stressed countries in the world.

Business Review continued

Stakeholder Interests and Board Decision-Making (Section 172 of the Companies Act 2006)

The following disclosure, which is required by the Companies Act 2006 and the AIC Code, describes how the Directors have had regard to the views of the Company's stakeholders in their decision-making.

Stakeholder Group	How the Board has engaged with the Company's Stakeholders
Investors	The Board's key mechanisms of engagement with investors include: > The Annual General Meeting > The Company's website which hosts reports, articles and insights, and monthly factsheets > One-to-one investor meetings > Group meetings with professional investors > The Annual and Half yearly Reports The Portfolio Manager and the Company's broker, on behalf of the Board, completed a programme of investor relations throughout the year, reporting to the Board on the feedback received. In addition, the Chairman was (and remains) available to engage with the Company's shareholders.
Portfolio Manager	The Board met regularly with Stewart Investors (the Portfolio Manager) throughout the year, both formally at quarterly Board meetings and informally, as required. The Board engaged with the portfolio management team, discussing the Company's overall performance, as well as developments in individual portfolio companies and wider macroeconomic developments. This year, the Board also visited Seoul in South Korea with the Portfolio Manager, meeting representatives from portfolio companies and potential investee companies. The trip gave the Directors an insight into the Portfolio Manager's investment process and engagement with portfolio companies. The Board, meeting as the Audit Committee, also met with members of the risk management and investment compliance teams to better understand the Portfolio Manager's internal controls.
Service Providers	The Board met regularly with Frostrow (the AIFM), representatives of which attend every quarterly Board meeting to provide updates on risk management, accounting, administration and corporate governance matters. The Board, meeting as the Engagement and Remuneration Committee, reviewed the performance of all the Company's service providers, receiving feedback from Frostrow in their capacity as AIFM and Company Secretary. The AIFM, which is responsible for the day to day operational management of the Company, meets and interacts with the other service providers including the Depositary, Custodian and Registrar, on behalf of the Board, on a daily basis. This can be through email, one-to-one meetings and/or regular written reporting. The Audit Committee met with BDO LLP ("BDO") to review the audit plan for the year, agree their remuneration, review the outcome of the annual audit and to assess the quality and effectiveness of the audit process. Please refer to the Audit Committee Report beginning on page 51 for further information.

As an externally managed investment trust, the Company has no employees, customers, operations or premises. Therefore, the Company's key stakeholders (other than its shareholders) are considered to be its service providers. The need to foster good business relationships with service providers and maintain a reputation for high standards of business conduct are central to the Directors' decision-making as the Board of an externally managed investment trust.

Key Areas of Engagement	Main decisions and actions taken
> Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio. > The impact of market volatility caused by certain geopolitical events on the portfolio. > Share price performance. > The Portfolio Manager's approach to sustainable development and investment.	The Board and the Portfolio Manager provided updates on performance via RNS, the Company's website and the usual financial reports and monthly fact sheets. The Board continued to monitor share price movements closely, both in absolute terms and in relation to the Company's peer group. As the discount remained relatively stable throughout the year, and narrowed in the second half, the Board did not initiate any share buybacks. While recognising that buybacks can generate shareholder value in the short term, the Board decided that buybacks were not in the long-term interests of shareholders, as they would reduce the size of the Company, increase the ongoing charges ratio and reduce the liquidity of the Company's shares. Instead, the Board continued to take steps to improve the visibility of the Company and the Portfolio Manager's sustainability credentials, in particular to retail investors. Further information is provided in the Chairman's Statement beginning on page 6.
> Portfolio composition, performance, outlook and business updates. > The integration of sustainability and ESG factors to the Portfolio Manager's investment process. > The promotion and marketing strategy of the Company. > The Portfolio Manager's system of internal controls and investment risk management.	The Board agreed that high standards of research and decision-making have been maintained and the Portfolio Manager's strategy has been implemented consistently, leading to good returns over the past year and over longer periods. The Board concluded that it was in the interests of shareholders for Stewart Investors to continue in their role as Portfolio Manager on the same terms and conditions. Further information is provided on pages 46 and 47. The Board continued its focus on improving the marketing strategy of the Company, to highlight in particular the Portfolio Manager's sustainability credentials. Further information is provided in the Chairman's Statement beginning on page 6. The Board, meeting as the Audit Committee, concluded that the Portfolio Manager's internal controls were satisfactory. See the Audit Committee Report, beginning on page 51, for further information.
> The quality of service provision and the terms and conditions under which service providers are engaged. > The assessment of the effectiveness of the audit and the Auditor's reappointment. > The terms and conditions under which the Auditor is engaged.	The Board concluded that it was in the interests of shareholders for Frostrow to continue in their role as AIFM on the same terms and conditions. See pages 46 and 47 for further details. The Board approved the Audit Committee's recommendation to propose to shareholders that BDO LLP be re-appointed as the Company's auditor for a further year. Please refer to the Audit Committee Report beginning on page 51 and the Notice of AGM beginning on page 98 for further information.

Business Review continued

Going Concern

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints on the Company's NAV, cash flows and expenses. Based on the information available to the Directors at the date of this report, the conclusions drawn in the Viability Statement (including the results of the stress tests undertaken) below and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of signing this report and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

The Directors have carefully assessed the Company's financial position and prospects as well as the principal risks facing the Company and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years. The Board has chosen a five year horizon in view of the long-term outlook adopted by the Portfolio Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due and notes the following:

- The portfolio is comprised of investments traded on major international stock exchanges. Based on historic analysis, it is estimated that approximately 55% of the current portfolio could be liquidated within seven trading days. There is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The Board has considered the viability of the Company under various scenarios, including periods of acute stock market and economic volatility, and concluded that it would expect to be able to ensure the financial stability of the Company through the benefits of having a diversified portfolio of listed and realisable assets. As illustrated in note 14 to the accounts, the Board has considered price sensitivity risk (the sensitivity of the profit after taxation for the year and the value of the shareholders' funds to changes in the fair value of the Company's investments) and foreign currency sensitivity (the sensitivity to changes in key exchange rates to which the portfolio is exposed).
- With an ongoing charges ratio of 1.1%, the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position;
- The Board has considered the Company's average cash balance over the past three years and noted that the Company has consistently retained levels of cash that are significantly higher than its annual operating expenses.
- The Company has no employees, only non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities; and
- The closed ended nature of the Company means that, unlike open ended funds, it does not need to realise investments when shareholders wish to sell their shares.

The Directors, as well as considering the potential impact of the principal risks and various severe but plausible downside scenarios, have also made the following assumptions in considering the Company's longer-term viability:

- There will continue to be demand for investment trusts;
- The Board and the Portfolio Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years;
- The Company invests in the securities of listed companies traded on international stock exchanges to which investors will wish to continue to have exposure;
- Regulation will not increase to a level that makes running the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

Social, Human Rights and Environmental Matters

As an externally-managed investment trust, the Company does not have any employees or maintain any premises, nor does it undertake any manufacturing or other physical operations itself. All its operational functions are outsourced to third party service providers. Therefore the Company has no material, direct impact on the environment or any particular community and, as a result, the Company itself has no environmental, human rights, social or community policies.

The Portfolio Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and the development of their policies on social, community and environmental matters. The Portfolio Manager (under their parent, legal entity name, First Sentier Investors) is a Tier 1 signatory to the UN Principles of Responsible Investment, an investor signatory of Climate Action 100+ and an investor member of the Institutional Investors Group on Climate Change.

Integrity and Business Ethics

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery, tax evasion and corruption. As such, policies and procedures are in place to prevent this and can be found on the Company's website. In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

Taskforce for Climate-Related Financial Disclosures ("TCFD")

The Company notes the TCFD recommendations on climate-related financial disclosures. The Company is an investment trust with no employees, internal operations or property and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework.

Stewart Investors is committed to reporting annually on its progress against its climate change objectives which are set out in its climate change statement[10]. This reporting is modelled on TCFD recommendations to the degree it is relevant to their activities and to support shareholders with their reporting requirements.

Stewart Investors have signed up to the Net Zero Asset Managers Initiative. They published their first climate report[11] in 2022 which provides details about their plan; this will be updated annually. They are engaging with their investee companies to set ambitious targets and have credible action plans to achieve net zero by 2050. They are targeting outcomes that are aligned with their commitment to the Net Zero Asset Managers Initiative and prioritising engagement with companies that have inadequate disclosures and targets, and/or rising emissions.

Climate reporting, at both the Stewart Investors[12] and Pacific Asset Trust[13] level, is available via the Trust's website.

Performance and Future Developments

A review of the Company's performance over the year and the outlook for the Company can be found in the Chairman's Statement beginning on page 6 and in the Portfolio Manager's Review beginning on page 13.

The Company's overall strategy remains unchanged.

By order of the Board

Frostrow Capital LLP
Company Secretary
9 May 2023

[10] https://www.stewartinvestors.com/uk/en/private-investor/insights/climate-change-statement.html
[11] https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/Climate-Report-2021.pdf
[12] https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/Climate-Report-2021.pdf
[13] https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/PASSET-Climate-2021.pdf

Board of Directors

James Williams
Independent Non-Executive Chairman

Joined the Board in 2013 and became Chairman in June 2015

James is Chairman of the Nomination Committee.

Shareholding in the Company: 56,000

Skills and Experience

James has worked in investment management for 50 years. He was formerly the Chief Investment Officer of Baring Asset Management. He was a founder in Asia of the Henderson Baring group. James has also held several non-executive directorships and senior advisory roles.

His leadership of the Board draws on his long and varied experience on investment and public company boards, and his knowledge of the fund management industry. His focus is on long-term strategic issues, which are a key characteristic of Board discussion.

Standing for re-election

No

Charlotta Ginman, FCA
Independent Non-Executive Director

Joined the Board in 2014

Charlotta is Chair of the Audit Committee.

Shareholding in the Company: 13,789

Skills and Experience

Charlotta has held senior positions in the investment banking and the technology/telecom sectors.

As a chartered accountant, Charlotta brings to the Board, and especially as Chair of the Audit Committee, an incisive and detailed perspective of the Company's financial position and its risk control environment. Charlotta is not afraid to confront complex issues on a range of topics.

Other Appointments

Charlotta is a non-executive director and Chair of the Audit Committee of Polar Capital Technology Trust plc, Keywords Studios plc (where she is also the Senior Independent Director) and Gamma Communications plc. She is a non-executive director of Unicorn AIM VCT plc, a Venture Capital Trust where she is also the Senior Independent Director), and Boku Inc.

As three of Charlotta's roles are with investment companies which typically have only 4-5 meetings a year and the other companies are AIM listed, with less regulatory burden than a premium listing on the Main Market, Charlotta has sufficient time to devote to each of her roles.

Standing for re-election

Yes

Sian Hansen
Independent Non-Executive Director

Joined the Board in 2015

Sian is Chair of the Engagement & Remuneration Committee.

Shareholding in the Company: 15,880

Skills and Experience

Previously Sian was Executive Director of the Legatum Institute and before that, Managing Director of the UK think tank Policy Exchange. Earlier in her career, Sian was a senior equity analyst and Co-Director of Sales for Asian Emerging Markets at Société Générale.

Sian enhances the Board's knowledge of sustainability, enabling meaningful debates with the Portfolio Manager to take place. As a thought leader in political and other forums, she brings a valuable perspective on geo-political matters.

Other Appointments

Sian is currently Chief Operating Officer of CIT Group and a non-executive director of JP Morgan Multi-Asset Growth and Income plc.

Standing for re-election

Yes

Robert Talbut

Independent Non-Executive Director

Joined the Board in 2016

Robert is the Senior Independent Director.

Shareholding in the Company: 9,611

Skills and Experience

Robert was formerly a director and Chief Investment Officer at Royal London Asset Management Limited.

His ongoing knowledge of the asset management industry and the strategic challenges it faces is useful in many board debates. His understanding of today's corporate governance best practice and the matters that a Board must confront, helps to ensure that the Company is run in accordance with best practice.

Given his wide-ranging board and sector experience Robert is well positioned to bring alternative perspectives on issues that may arise.

Other Appointments

Robert is non-executive chairman of Shires Income PLC and Schroder UK Mid Cap Fund PLC. He is a non-executive director of JP Morgan American Investment Trust plc.

Standing for re-election

Yes

Edward Troughton

Independent Non-Executive Director

Joined the Board in 2019

Shareholding in the Company: 18,357

Skills and Experience

Edward has been in the investment industry for over 35 years, starting his career with Barings Asset Management as an Asian equity portfolio manager. He spent the rest of his career after that in business development and marketing. He managed NatWest Investment Management's office in Hong Kong for 5 years. For 7 years, he was with BlackRock where at one stage, as Managing Director, he ran their Asian regional office out of Hong Kong. Latterly he was Managing Director at Alliance Trust Investments and Principal Representative Officer for Bank of London and the Middle East based in Dubai.

Edward's experience in the investment sector and first-hand knowledge of living and working in Asia enables the Board to engage authoritatively with the Portfolio Manager on their investment strategy. His knowledge of business development and marketing within the UK wealth sector is also extremely useful as the Board looks to widen the Company's overall appeal and shareholder base.

Other Appointments

Edward is a partner at Oldfield Partners LLP.

Standing for re-election

Yes

Andrew Impey

Independent Non-Executive Director

Joined the Board in 2022

Shareholding in the Company: 10,000

Skills and Experience

Andrew has over 34 years' experience in institutional investment management and wealth management. He has been lead manager on a broad range of funds including a sovereign wealth mandate, unit trusts and several investment trusts. He was previously a consultant at Rathbones Investment Management, a partner of Albion Capital Group, joint managing director at OLIM Limited and Chief Investment Officer at Singer & Friedlander.

Andrew's wide investment experience allows him to engage knowledgeably with the Portfolio Manager. He also brings current knowledge of the industry and in corporate governance and strategy.

He is a charity trustee and on a number of investment committees including the HMS Victory Preservation Company.

Other Appointments

Andrew is the non-executive chairman of JP Morgan UK Smaller Companies Investment Trust plc.

Standing for election

Yes

Corporate Governance

The Board and Committees

Responsibility for effective governance lies with the Board whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the fact that as an externally managed investment company it has no employees and outsources portfolio management to Stewart Investors and risk management, corporate management, company secretarial and administrative services to Frostrow Capital LLP. The Board generates value for shareholders through its oversight of the service providers and management of costs associated with running the Company.

The Board

Chairman – James Williams
Senior Independent Director – Robert Talbut
Four additional non-executive Directors, all considered independent.

Key responsibilities:

- to provide leadership and set the strategy, values and standards of the Company within a framework of effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise the performance of all third-party service providers.

Engagement & Remuneration Committee

Chair
Sian Hansen

All Independent Directors

Key responsibilities:

- to review the contracts, the performance and remuneration of the Company's principal service providers;
- to set the Directors' remuneration policy; and
- to review the terms and conditions of the Directors' appointments.

Audit Committee

Chair
Charlotta Ginman, FCA

All Independent Directors

Key responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to have primary responsibility for the relationship with the Company's external auditor, to review their independence and performance, and to determine their remuneration.

Nomination Committee

Chairman
James Williams

All Independent Directors

Key responsibilities:

- to review the Board's structure and composition; and
- to make recommendations for any changes or new appointments.

Copies of the full terms of reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary and will be available for inspection on the day of the Annual General Meeting. They can also be found on the Company's website at www.pacific-assets.co.uk.

Internal Controls Structure

The Board has a responsibility for establishing and assessing internal controls to ensure the Company operates effectively, efficiently and within the risk appetites set by the Board. As the Company relies on third-party service providers for all of its operations, it obtains regular reports from these counterparties on the nature and effectiveness of controls within these organisations.

The Company's principal service providers are the Portfolio Manager, Stewart Investors, the AIFM, Company Secretary and administrator, Frostrow Capital, the custodian and depositary, JP Morgan and the registrar, Equiniti Group. The Board receives regular reporting on compliance with the control environment and assesses the effectiveness of the internal controls through review of the assurance reports from each of these organisations.

In addition, the Company retains a number of secondary providers who report regularly to the Board. These include the Company's legal advisers and the corporate stockbroker.

The Engagement and Remuneration Committee formally evaluates the performance and service delivery of all third-party service providers at least annually and the Audit Committee evaluates the performance of the Company's external auditor annually, following the completion of the annual audit process.

Board of Directors
Entirely independent and non-executive

Sub-committees:
- Audit Committee
- Engagement & Remuneration Committee
- Nomination Committee

BDO LLP
(Statutory Auditor)

Principal third-party service providers

The Directors
- receive regular reporting at meetings;
- review the assurance report produced by each organisation;
- receive additional reporting on the control environment from each of the principal third party service providers; and
- formally evaluate their performance on an annual basis.

Frostrow Capital LLP
(AIFM, Company Secretary, Fund Administrator)

Reporting
- Balance sheet
- Liquidity and gearing
- Income forecasts
- Portfolio valuation
- Portfolio transactions
- Investment limits and restrictions (monthly)
- Compliance with investment policy and guidelines (monthly)
- Compliance report (semi annually)
- Effectiveness of control environment

Stewart Investors
(Portfolio Management)

Reporting
- Portfolio performance update at each meeting
- Compliance Report (semi-annually)
- Effectiveness of control environment (annually)
- Presentations on subjects of interest e.g. Risk Management, Investment Compliance (as required)

JP Morgan
(Depositary and Custodian)

Reporting
- Depositary's Report (semi-annually)
- Effectiveness of control environment (annually)
- Presentations on subjects of interest e.g. cyber security (as required)

Equiniti Group
(Registrar)

Reporting
- Effectiveness of control environment (annually)
- Presentations on subjects of interest e.g. cyber security (as required)

Secondary third-party service providers

The Directors
- receive regular reporting on their activities at meetings; and
- formally evaluate their performance on an annual basis

Dickson Minto W.S.
(Legal Adviser)

Investec Bank PLC
(Corporate Broker)

Corporate Governance continued

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance published in February 2019 (the "AIC Code"). The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code (which has been endorsed by the Financial Reporting Council) will provide better information to shareholders. By reporting against the AIC Code, the Company meets its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are irrelevant to the Company as an externally-managed investment company, including the provisions relating to the role of the chief executive, executive directors' remuneration and the internal audit function.

The AIC Code is available on the AIC's website www.theaic.co.uk and the UK Code can be viewed on the Financial Reporting Council website www.frc.org.uk. The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the principles and provisions of the AIC Code.

This Corporate Governance report on pages 36 to 43 forms part of the Report of the Directors on pages 44 to 48.

Board Leadership and Purpose

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report on page 22.

Strategy issues and all material operational matters are considered at Board meetings.

Board Culture

The Board aims to enlist fully differences of opinion, unique vantage points and areas of expertise. The Chairman encourages open debate to foster a supportive and co-operative approach. Strategic decisions are discussed openly and constructively. The Board aims to be open and transparent with shareholders and other stakeholders, and for the Company to conduct itself responsibly, ethically and fairly in its relationships with service providers.

Shareholder Relations

Representatives of Stewart Investors and Investec Bank plc, the Company's corporate stockbroker, meet regularly with institutional shareholders and private client asset managers to discuss investment strategy, any issues or concerns and, if applicable, corporate governance matters. Reports on investor sentiment and the feedback from investor meetings are discussed with the Directors at the following Board meeting.

Shareholder Communications

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow Capital LLP (25 Southampton Buildings, London WC2A 1AL). Shareholders are encouraged to attend the Annual General Meeting ("AGM"), where they are given the opportunity to question the Chairman, the Board and representatives of Stewart Investors. In addition, Stewart Investors make a presentation to shareholders covering the investment performance and strategy of the Company at the AGM. Further details of this year's AGM are provided in the Chairman's Statement beginning on page 6 and in the Notice of AGM beginning on page 98.

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Report of the Directors on pages 44 to 48.

Conflicts of Interest

Company directors have a statutory obligation to avoid a situation in which they (and connected persons) have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting. No conflicts of interest arose during the year under review.

Division of Responsibilities

Responsibilities of the Chairman and the SID

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the Company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making;
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making;
- taking a leading role in determining the Board's composition and structure;
- overseeing the induction of new directors and the development of the Board as a whole;
- leading the annual board evaluation process and assessing the contribution of individual Directors;
- supporting and also challenging the Portfolio Manager (and other suppliers) where necessary;
- ensuring effective communications with shareholders and, where appropriate, stakeholders; and
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views.

The Senior Independent Director ("SID") serves as a sounding board for the Chairman and acts as an intermediary for the other Directors and the shareholders. The SID is responsible for:

- working closely with the Chairman and providing support;
- leading the annual assessment of the performance of the Chairman;
- holding meetings with the other non-executive Directors without the Chairman being present, on such occasions as necessary;
- carrying out succession planning for the Chairman's role;
- working with the Chairman, other Directors and shareholders to resolve major issues; and
- being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the Portfolio Manager).

Director Independence

The Board consists of six non-executive Directors, each of whom is independent of Stewart Investors and the Company's other service providers. Each of the Directors, including the Chairman, was independent on appointment and all of the Directors seeking re-election at the forthcoming AGM continue to be independent when assessed against the circumstances set out in Provision 13 of the AIC Code. The Board carefully considers these guidelines but places particular weight on the view that independence is evidenced by an individual being independent of mind, character and judgement. The Board considers that all of the Directors are independent and there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

Directors' Other Commitments

Prior approval is obtained from the Chairman for any new appointment. Following the annual Board evaluation, the Board considers that all Directors have sufficient time to discharge their duties.

Board Meetings

The Board meets formally at least four times each year. The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expense projections, analyses of asset allocation, transactions, customised performance metrics and performance comparisons, share price and net asset value performance. The Board's approach to addressing the Portfolio Manager's and the Company's share price performance during the year is described in the Chairman's Statement beginning on page 6.

The Board is responsible for setting the Company's corporate strategy and reviews the continued appropriateness of the Company's investment objective, investment strategy and investment restrictions at each meeting.

Matters Reserved for Decision by the Board

The Board has adopted a schedule of matters reserved for its decision. This includes, *inter alia*, the following:

- Decisions relating to the strategic objectives and overall management of the Company, including the appointment or removal of the Portfolio Manager and other service providers, establishing the investment objectives, strategy and performance comparators, the permitted types or categories of investments, the proportion of assets that may be invested in them, and the markets in which transactions may be undertaken.

Corporate Governance continued

- Requirements under the Companies Act 2006, including approval of the half yearly and annual financial statements, recommendation of the final dividend (if any), declaration of any interim dividends, the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks.
- Matters relating to certain Stock Exchange requirements and announcements, the Company's internal controls, and the Company's corporate governance structure, policies and procedures.
- Matters relating to the Board and Board committees, including the terms of reference and membership of the committees, and the appointment of directors (including the Chairman and the SID).

Day-to-day portfolio management is delegated to Stewart Investors and operational management is delegated to Frostrow.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Stewart Investors or Frostrow acts as spokesman. The Board is kept informed of relevant promotional material that is issued by Stewart Investors.

Relationship with the Portfolio Manager
A representative from Stewart Investors is in attendance at each Board meeting to provide updates and address questions on specific matters.

The Engagement and Remuneration Committee evaluates Stewart Investors' performance and suitability as well as reviewing the terms of the Portfolio Management Agreement at least annually. The outcome of this year's review is described on pages 46 and 47.

Relationship with Other Service Providers
Representatives from Frostrow are in attendance at each Board meeting to address questions on the Company's operations, administration and governance requirements. The Engagement and Remuneration Committee monitors and evaluates all of the Company's other service providers, including Frostrow, and also the Depositary, the Custodian, the Registrar and the Broker. At the most recent review in January 2023, the Committee concluded that all the service providers were performing well and should be retained on their existing terms and conditions.

Stewardship and the Exercise of Voting Powers
The Board and the Portfolio Manager support the UK Stewardship Code, which sets out the principles of effective stewardship by institutional asset owners and asset managers. Stewart Investors (under their legal parent entity name, First Sentier Investors) is a Tier 1 signatory to the UK Stewardship Code. First Sentier Investors produce an annual Responsible Investment and Stewardship Report which is published on their website www.firstsentierinvestors.com/UK/en/private/responsible-investment/responsible-investment-resource-centre.html.

The Board has delegated authority to Stewart Investors (as Portfolio Manager) to engage with companies held in the portfolio and to vote the shares owned by the Company.

Stewart Investors have a strong commitment to effective stewardship and their approach, including their consideration of environmental, social and governance issues, is set out in their Stewardship and Corporate Engagement policy which can be found on their website www.stewartinvestors.com. During the year, the Board reviewed quarterly reports from Stewart Investors on their voting and engagement and is satisfied with their approach.

Independent Professional Advice
The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. No such advice was sought during the year.

Company Secretary
The Directors have access to the advice and services of a specialist investment trust company secretary, Frostrow Capital LLP, which is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

Composition, Succession and Evaluation

Board Evaluation
During the year an internal review of the Board, its committees and individual Directors (including each Director's independence) was carried out by the Board, in the form of electronic performance evaluation questionnaires.

The review concluded that the Board worked in a collegiate, efficient and effective manner, and there were no material weaknesses or concerns identified.

All Directors submit themselves for election and annual re-election thereafter by shareholders (unless they intend to retire from the Board). The particular contribution of each individual Director is summarised on pages 34 and 35. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' election/re-election at the forthcoming AGM.

The number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director is set out below:

Number of meetings	Board (5)	Audit Committee (3)	Engagement & Remuneration Committee (1)	Nomination Committee (1)
James Williams	5	3	1	1
Charlotta Ginman	5	3	1	1
Sian Hansen	5	3	1	1
Robert Talbut	5	3	1	1
Edward Troughton	5	3	1	1
Andew Impey*	2	2	1	1

* Appointed to the Board on 1 August 2022.

Other ad hoc meetings of the Board and committees are held in connection with specific events as and when necessary.

Succession Planning

The Board, meeting as the Nomination Committee, regularly considers its structure and recognises the need for progressive refreshment. During the year, the Board appointed Andrew Impey as a non-executive Director ahead of the planned retirement of the Chairman, James Williams. Please refer to the Chairman's Statement beginning on page 6 for further information. The Board recognises that there will need to be further changes in the coming years as certain Directors come to the end of their tenure.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge. The policy is reviewed annually and at such other times as circumstances may require.

Policy on the Tenure of the Chairman and other Non-Executive Directors

The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years. It should be noted that, in practice, the date of departure from the Board may be the date of the Annual General Meeting following this anniversary. However, the Board has agreed that the tenure of the Chairman may be extended provided such an extension is conducive to the Board's overall orderly succession. The Board believes that this more flexible approach to the tenure of the Chairman is appropriate in the context of the regulatory rules that apply to investment companies, which ensure that the chair remains independent after appointment, while being consistent with the need for regular refreshment and diversity.

Appointments to the Board

The Nomination Committee considers annually the skills possessed by the Directors and identifies any skill shortages to be filled by new directors. The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association and the aforementioned succession planning policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next AGM. The minimum number of directors is two and the maximum is seven. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the best qualified candidates.

During the year, Andrew Impey was appointed to the Board. The Board engaged the services of a specialist recruitment agency, Trust Associates, to assist with the search process. Trust Associates sourced and prepared a diverse long list of potential candidates for consideration by the Nomination Committee. The Nomination Committee then selected a short list of candidates to interview. Following the interviews, a recommendation was made to the Board that Mr Impey be appointed as a Director. Trust Associates has no other connection with the Company.

Board Diversity

The Board supports the principle of boardroom diversity, of which gender and ethnicity are two important aspects.

The Company's policy is that the Board and its committees should be comprised of directors with a diverse range of skills, knowledge and experience and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense. The objective of the policy is to ensure there is a broad range of approaches,

Corporate Governance continued

backgrounds, skills, knowledge and experience represented on the Board. To this end, achieving a diversity of perspectives and backgrounds on the Board is a key consideration in any director search process. The Board encourages any recruitment agencies it engages to find a diverse range of candidates that meet the criteria agreed for each appointment and, from the shortlist, aims to ensure that a diverse range of candidates is brought forward for interview.

The Directors have noted that the last recruitment agency engaged by the Board, Trust Associates, has become a signatory of The Standard Voluntary Code of Conduct for Executive Search Firms. The code of conduct lays out steps for search firms to follow across the search process, from accepting a brief through to induction. The key areas of focus include increasing the proportion of women and broadening ethnic diversity.

The Board will give due regard to the new diversity targets in the Listing Rules, but will not discriminate unfairly on the grounds of gender, ethnicity, age, sexual orientation, disability or socio-economic background when considering the appointment of Directors. Education, professional background, and cognitive and personal strengths are considered against the specification prepared for each appointment.

The Board has noted the FCA's new Listing Rules which require companies to report against the following diversity targets:

a) At least 40% of individuals on the board are women;

b) At least one of the senior board positions is held by a woman; and

c) At least one individual on the board is from a minority ethnic background.

In accordance with the Listing Rules, the Board has provided the following information in relation to its diversity as at the year end.

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board*
Men	4	67%	
Women	2	33%	
Not specified/prefer not to say^	–	–	

^ Directors were also given the opportunity to indicate if there was an 'other category' they wished to specify.

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board*
White British or other White (including minority-white groups)	6	100%	
Mixed/Multiple Ethnic Groups	–	–	
Asian/Asian British	–	–	
Black/African/Caribbean/Black British	–	–	
Other ethnic group, including Arab	–	–	
Not specified/prefer not to say	–	–	

* The format of the above tables is prescribed in the Listing Rules which define 'Senior Positions on the Board' as 'CEO, CFO, SID and Chair'. However, as an externally managed investment trust, the Company has no executive management functions, including the roles of CEO and CFO, and the Company has therefore deliberately left this column blank and excluded columns relating to executive management. .

The information above was obtained by asking the Directors to indicate on an anonymous form, how they should be categorised for the purposes of the Listing Rules disclosures.

As an externally managed investment company, the Company does not have the positions of CEO or CFO and therefore, as permitted by the Listing Rules, it has not reported against the second target as it is not applicable. As shown in the above tables, the Company has not yet met the first and third targets.

With regard to the first target, it should be noted that the Board was comprised of five directors, 40% of whom were women, for the first six months of the year. The reason for the Company's non-compliance with the first target is the short period of handover between the incumbent Chairman and his successor. It is anticipated that the Company will meet the target for female representation on the Board following Mr Williams' retirement at the end of May this year.

It is intended that there should be at least one individual from a minority ethnic background on the Board. While the Board will have regard to this target in future director recruitment processes, due to the Board's small size, vacancies and recruitment opportunities arise relatively infrequently and therefore the target may take some time to achieve.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on pages 49 and 50 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 51, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee throughout the year, and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 24 to 29.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on page 32.

Remuneration

The Directors' Remuneration Report beginning on page 56 sets out the levels of remuneration for each Director and explains how Directors' remuneration is determined.

Frostrow Capital LLP
Company Secretary
9 May 2023

Report of the Directors

The Directors present this Annual Report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 January 2023.

Business and Status of the Company

The Company is registered as a public limited company in Scotland (Registered Number SC091052) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). Its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

The Company has been accepted as an investment trust under Section 1158 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

It is the Directors' intention that the Company should continue to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares components of an Individual Savings Account ("ISA") and Junior ISA.

The Company is a member of the Association of Investment Companies ("AIC").

Alternative Performance Measures

The financial statements (on pages 66 to 78) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts. These measures are summarised on page 3 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on pages 23 to 24. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company's performance.

The measures used for the year under review have remained consistent with the prior year.

Definitions of the terms used and the basis of their calculation are set out in the Glossary beginning on page 79.

Annual General Meeting

THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 12 Authority to amend the Investment Policy

Resolution 13 Authority to allot shares

Resolution 14 Authority to disapply pre-emption rights

Resolution 15 Authority to buy back shares

Resolution 16 Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice

Resolution 17 Authority to increase the limit on the aggregate fees payable to the Directors

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 98 to 102. Explanatory notes regarding the resolutions can be found on pages 103 to 105.

Results and Dividend

The results attributable to shareholders for the year are shown on page 66. Details of the Company's dividend record can be found on page 5 and the dividend policy is outlined in the Strategic Report on page 23.

A final dividend of 2.3p per ordinary share has been proposed and, subject to shareholder approval, will be paid on 6 July 2023 to shareholders on the register on 9 June 2023. The associated ex-dividend date is 8 June 2023.

Capital Structure

As at 31 January 2023, there were 120,958,386 ordinary shares of 12.5p each ('shares') in issue (2022: 120,958,386). All shares rank equally for dividends and distributions. Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. Details of the substantial shareholders in the Company are listed on page 47.

At the start of the year under review, the Directors had shareholder authority to issue up to 12,095,838 shares on a non-pre-emptive basis and to buy back up to 18,131,662 shares in the market. At the Company's annual general meeting held on Tuesday, 28 June 2022, these authorities expired and new authorities to allot up to 12,095,838 shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis and to buy back up to 18,131,662 shares (representing 14.99% of the Company's issued share capital) were granted.

During the year, no new shares were issued (2022: nil). No shares were repurchased during the year (2022: nil) and there are no shares held in Treasury.

The powers to issue or buy-back the Company's shares require the relevant resolution to be passed by shareholders. Proposals for the renewal of the Board's authorities to issue and buy-back shares are detailed in the Notice of AGM beginning on page 98.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors which arise directly from its operations such as sales and purchases awaiting settlement, and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 14 to the financial statements, beginning on page 75.

Principal Service Providers

Portfolio Manager

The Company's investment portfolio is managed by Stewart Investors which had approximately £14.8 billion in assets under management as at 31 December 2023. Stewart Investors are engaged under the terms of a Portfolio Management Agreement (the "PMA") effective from 30 April 2021, which replaced the previous investment management agreement that had been in place since 1 February 2015.

Under the terms of the Portfolio Management Agreement, Stewart Investors provide, *inter alia*, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which cash should be invested, divested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made; and
- advising the Company in relation to trends, market movements and other matters which may affect the investment objective and policy of the Company.

The PMA is terminable by six months' notice. Stewart Investors have complied with the terms of the PMA throughout the year to 31 January 2023. Stewart Investors are entitled to a fee, paid quarterly, of 0.85% of the Company's net assets.

Alternative Investment Fund Manager ("AIFM")

Frostrow Capital LLP acts as the AIFM. It is an independent provider of services to the investment companies sector and currently has 15 investment company clients whose assets totalled approximately £20.1 billion as at 28 February 2023.

The Board resolved to appoint Frostrow Capital LLP as the Company's AIFM with effect from 30 April 2021 on the terms and subject to the conditions of the alternative investment fund management agreement between the

Company and Frostrow (the "AIFM Agreement"). The AIFM Agreement assigns to Frostrow overall responsibility to manage the Company, subject to the supervision, review and control of the Board, and ensures that the relationship between the Company and Frostrow is compliant with the requirements of the AIFMD. Frostrow, under the terms of the AIFM Agreement provides, *inter alia*, the following services:

- risk management services;
- administrative and secretarial services;
- advice and guidance in respect of corporate governance requirements;
- maintenance of the Company's accounting records;
- preparation and dispatch of the annual and half yearly reports; and
- ensuring compliance with applicable tax, legal and regulatory requirements.

Under the AIFM Agreement, Frostrow receives a fixed fee of £75,000 per annum plus 0.11% per annum of net assets up to £250 million, plus 0.075% per annum of net assets in excess of £250 million .

The AIFM Agreement is terminable on six months' notice given by either party.

Further details of the fees payable to Stewart Investors and Frostrow Capital LLP during the year are set out in note 3 to the financial statements on page 70.

Depositary and Custodian

The Board resolved to appoint J.P. Morgan Europe Limited (the "Depositary") as the Company's depositary in accordance with the AIFMD on the terms and subject to the conditions of the depositary agreement between the Company, Frostrow and the Depositary (the "Depositary Agreement"), with effect from 30 April 2021.

The Depositary provides the following services, *inter alia*, under its agreement with the Company:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions; and
- foreign exchange services.

The Depositary must take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, the AIFMD and the Company's Articles of Association.

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of £30,000 or 0.015% of the net assets of the Company up to £150 million, 0.0125% of the net assets in excess of £150 million and up to £300 million, 0.01% of the net assets in excess of £300 million and up to £500 million and 0.005% of the net assets in excess of £500 million.

The Depositary has delegated the custody and safekeeping of the Company's assets to JPMorgan Chase Bank N.A., London branch (the "Custodian") under a Global Custody Agreement ("GCA"). Custody fees are charged according to the jurisdiction in which the holdings are based. Variable transaction fees are also chargeable.

The notice period on the Depositary Agreement is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

Portfolio Manager and AIFM Evaluation and Re-Appointment

The review of the performance of Stewart Investors as Portfolio Manager and Frostrow Capital LLP as AIFM is a continuous process carried out by the Board and the Engagement and Remuneration Committee (the "ERC"), with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by Stewart Investors and Frostrow and receives regular reports and views from them. The Board also receives comprehensive performance measurement reports to enable it to determine whether or not the Performance Objective set by the Board has been met.

The ERC formally reviewed the appointment of Stewart Investors in January 2023 with a recommendation being made to the Board to continue their appointment on the existing terms.

The Board believes the continuing appointment of Stewart Investors, under the terms described above, is in the interests of shareholders. In coming to this decision the Board took into consideration the following reasons:

> the terms of the Portfolio Management Agreement, in particular the level and method of remuneration and the notice period, and the comparable arrangements of a group of the Company's peers; and

> the quality and depth of experience of the Stewart Investors team and the level of performance of the portfolio in absolute terms and also by reference to the Performance Objective and the Company's peer group over the medium to longer term.

The ERC also formally reviewed Frostrow's appointment in January 2023 with a formal recommendation being made to the Board. The Board believes the continuing appointment of Frostrow Capital LLP, under the terms described on page 46 is in the interests of shareholders. In coming to this decision, the Board took into consideration the quality and depth of experience of the management, administrative and company secretarial team that Frostrow allocates to the Company.

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Board during the year ended 31 January 2023 and to the date of this report. It is intended that this cover will continue throughout the year ending 31 January 2024 and subsequent years.

Directors' Indemnities

As at the date of this report, a deed of indemnity has been entered into by the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities as a result of carrying out his or her role as a Director of the Company. Each Director is indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at Frostrow's offices during normal business hours and will be available for inspection at the AGM.

Articles of Association

Amendment of the Company's Articles of Association requires a special resolution to be passed by shareholders.

The Directors have not proposed any changes to the Articles of Association this year.

Substantial Interests in Share Capital

As at 31 January 2023, the Company had been notified of the following substantial interests in the Company's voting rights.

	Number of shares held	% held
Evelyn Partners[1]	13,319,478	11.01%
Brewin Dolphin (Ireland)	11,332,765	9.37%
Rathbones	8,226,403	6.81%
Charles Stanley	6,038,409	4.99%

[1] Formerly known as Tilney Smith & Williamson.

Following the year end, and to the date of this report, the Company received one new notification from Evelyn Partners disclosing their increased holding of 14,779,682 shares, amounting to 12.22% of the Company's issued share capital.

These disclosures reflect those shareholders who have notified the Company of a substantial interest in its shares when they have crossed certain thresholds and may not reflect their current holdings. The table does not reflect the full range of investors in the Company. The shareholder register is principally comprised of private wealth managers and retail investors owning their shares through a variety of online platforms. A profile of the Company's ownership is shown on page 96.

Beneficial Owners of Shares – Information Rights

The beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti, or to the Company directly.

Report of the Directors continued

Modern Slavery Act 2015

The Company does not provide goods or services in the normal course of business, and as a financial investment vehicle, does not have customers. Therefore, the Directors do not consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly, it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at www.pacific-assets.co.uk. The policy is reviewed annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.pacific-assets.co.uk. The policy is reviewed annually by the Audit Committee.

Global Greenhouse Gas Emissions

The Company is an investment trust, with no employees or premises, nor has it any financial or operational control of the assets it owns. It has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio. The Company consumed less than 40,000 kWh of energy during the year and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Political Donations

The Company has not made and does not intend to make any political donations.

Corporate Governance

The Corporate Governance report, which includes the Company's corporate governance policies and forms part of the Report of the Directors, is set out on pages 36 to 43.

Common Reporting Standard ("CRS")

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Registrar, Equiniti, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

UK Sanctions

The Board has made due diligence enquiries of the service providers that process the Company's shareholder data, to ensure the Company's compliance with the UK sanctions regime. The relevant service providers have confirmed that they check the Company's shareholder data against the UK sanctions list on a daily basis. At the date of this report, no sanctioned individuals had been identified on the Company's shareholder register. The Board notes that stockbrokers and execution-only platforms also carry out their own due diligence.

By order of the Board

Frostrow Capital LLP
Company Secretary
9 May 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and accounting estimates that are reasonable and prudent;

> state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

> prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and

> prepare a directors' report, a strategic report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement which comply with that law and those regulations.

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on the Company's website, which is maintained by the Portfolio Manager. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she might reasonably be expected to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' Responsibilities continued

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

> the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and the return of the Company for the year ended 31 January 2023; and

> the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

James Williams
Chairman
9 May 2023

Audit Committee Report

Introduction from the Chair

I am pleased to present my seventh Audit Committee report to shareholders, for the year ended 31 January 2023.

Composition

The Committee comprises all of the Company's independent non-executive Directors. As a result, the Committee comprises the whole Board.

At least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the investment trust sector. I am a Fellow of the Institute of Chartered Accountants in England and Wales and I chair the audit committees of three other companies, one of which is an investment trust; the other Committee members have a combination of financial, investment and other relevant experience. The experience of the Committee members can be assessed from the Directors' biographies set out on pages 34 and 35.

The Committee met three times during the year with all members attending each meeting.

Role and Responsibilities

A comprehensive description of the Committee's role, its duties and responsibilities, can be found in its terms of reference, which are available on the Company's website www.pacific-assets.co.uk.

Significant Issues Considered by the Audit Committee During the Year

Significant Reporting Matter	How the issue was addressed
Annual Report and Financial Statements	The Board asked the Audit Committee once again to confirm that, in its opinion, the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. In doing so, the Committee considered: > the comprehensive control framework around the production of the Annual Report, including the process in place to verify the factual content; > the detailed levels of review that were undertaken in the production process, by Frostrow and by the Committee; and > the internal control environment as operated by Stewart Investors (the Portfolio Manager), Frostrow (the AIFM), JP Morgan (the Custodian) and other service providers.

Audit Committee Report continued

Significant Reporting Matter	How the issue was addressed
Valuation of Investments	The Audit Committee received assurance that the valuation of assets had been carried out in accordance with the adopted accounting policies set out in note 8 on page 74.
Existence and Ownership of Investments	Once again the Committee received assurance that all investment holdings and cash/deposit balances had been agreed by Frostrow to an independent confirmation from the Custodian or relevant bank. The Committee reviewed the internal controls reports of Frostrow, Stewart Investors and JP Morgan.

Other Reporting Matters

Audit Regulation

The Committee has not had to consider any new audit regulations in the past year. It has, however, taken note of reporting guidance and thematic reviews published by the FRC and determined how to apply any relevant best practice to the Company's reporting. The Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditor.

The Committee has noted the government response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems. We await confirmation of the schedule for implementing the reforms which will create a new Audit, Reporting and Governance Authority, amongst other changes.

Recognition of Revenue from Investments

Frostrow confirmed to the Committee, as in previous years, that all dividends had been accounted for correctly. It was noted that there was an appropriate segregation of duties between Frostrow and JP Morgan.

Accounting Policies

The Committee ensured that the accounting policies set out in the notes to the financial statements were applied consistently throughout the year. In light of there being no unusual transactions during the year or other possible reasons, there were no changes to these policies.

Going Concern

The Audit Committee, at the request of the Board, considered the ability of the Company to adopt the going concern basis for the preparation of the financial statements. Having reviewed the Company's financial position, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements for the year ended 31 January 2023 on a going concern basis.

The Committee's review of the Company's financial position included consideration of the cash and cash equivalents position; the diversification of the portfolio; and an analysis of portfolio liquidity, which estimated liquidation of c.55% of the portfolio within seven trading days (based on current market volumes). Stress testing was also conducted as described below. Further information is provided on page 32.

Viability Statement

The Committee considered, again on behalf of the Board, the longer-term viability of the Company in connection with the Board's statement in the Report of the Directors (see page 32). The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties and the results of stress tests.

The stress tests modelled the impact of one or more of the principal risks occurring. The tests assumed substantial falls in the Company's NAV and reductions in the liquidity of the portfolio and then modelled the effect this would have on the Company's expenses and the Company's ability to meet its liabilities as they fell due. Based on the results of these tests the Committee concluded it was reasonable for the Board to expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Internal Controls and Risk Management

The Board has overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. Operational responsibility is delegated to the Audit Committee. The Company's internal control structure is summarised on page 37. The Company applies the guidance published by the Financial Reporting Council on internal controls. Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained, and that the Company's financial information is reliable.

A description of the principal risks facing the Company and an explanation of how they are managed is provided in the Strategic Report on pages 24 to 29. The Directors have a robust process for identifying, evaluating and managing the risks faced by the Company, including emerging risks, which are recorded in a risk matrix. The Committee reviewed the risk matrix at each of its three meetings during the year. One of the Committee meetings was a dedicated meeting to evaluate the Company's risks, identify emerging risks, and discuss the Board's approach to monitoring and managing them. The Audit Committee, on behalf of the Board, assesses the likelihood of occurrence and the possible impact of each risk. The Committee then records the mitigating controls in place.

As an externally managed investment trust, the Company is reliant on the operational systems of its service providers. Therefore, the Audit Committee also examines internal control reports from the Company's principal service providers. The Committee also spoke with members of the Portfolio Manager's risk management and investment compliance teams to ensure their processes remain robust. The Audit Committee then reports its findings to the Board.

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems during the year. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified.

Following its annual review of internal controls reports from Stewart Investors, Frostrow, JP Morgan and Equiniti (the Registrar), the Committee concluded that there were no significant control weaknesses or other issues that were required to be brought to the attention of the Board. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

Half Year Report
The Committee reviewed the Half Year Report including the unaudited financial statements, to ensure that the accounting policies were consistent with those applied in the annual financial statements and that the report portrayed a fair, balanced and understandable account of the period.

Depositary
During the year, the Committee reviewed reports from the Depositary on their regulatory oversight and due diligence duties. Nothing material was brought to the attention of the Committee; no breaches or pricing errors were reported.

Investment Trust Status
The Committee sought and received confirmation from Frostrow that the Company continues to comply with Section 1158 of the Corporation Tax Act 2010, so that its status as an investment trust is maintained.

Withholding Tax
The Committee monitored the reclamation of withholding tax, receiving regular updates from Frostrow on the process and the appointment of specialist local agents. In the year under review, Grant Thornton LLP provided services to the Company as tax agents in Taiwan, Ernst & Young in India and S.F. Ahmed & Co. in Bangladesh.

Taxation
The Committee has been monitoring the provision for Indian capital gains tax, which has increased to £9,750,000 as at 31 January 2023 (2022: £8,395,000), receiving regular updates on the position. A local tax specialist (Ernst & Young LLP) has been appointed to ensure that tax returns and any tax due are calculated accurately and in line with the relevant legislation.

Internal Audit
The Committee considered whether there was a need for the Company to have an internal audit function. As the Company delegates its day-to-day operations to third parties and has no employees, the Committee concluded that there was no such need.

Other Activities During the Year
In addition to carrying out its principal duties, the Committee also reviewed:

> the arrangements put in place by the Company's principal service providers to address cyber security;

> the Committee's terms of reference;

> compliance reports submitted by Frostrow and Stewart Investors;

> Stewart Investors' list of approved brokers, commission rates and the amount of commission paid by the Company throughout the year;

> the Company's anti-bribery and corruption policy;

> the Company's commitment to the prevention of the criminal facilitation of tax evasion; and

> the Company's audit tender guidelines.

Audit Committee Report continued

External Auditor

Appointment and Tenure

BDO LLP ("BDO") was the Auditor for the financial year and this was their third audit of the Company.

Peter Smith was the audit partner for the financial year under review and he has confirmed BDO's willingness to continue to act as Auditor for the forthcoming financial year. BDO's re-appointment is subject to shareholder approval at the next Annual General Meeting ("AGM") to be held in July, and details can be found in the Notice of AGM beginning on page 98.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. Based on these requirements, another tender process will be conducted no later than 2030. The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons.

The Audit

The Committee reviewed BDO's audit plan on 22 September 2022. The review considered, *inter alia*, the scope of the audit, the level of materiality, the audit risks identified by BDO, the Auditor's approach to testing the portfolio, and pertinent regulatory developments. No modifications were required to the audit approach. The Committee met with BDO on 22 March 2023 to discuss the progress of the audit and the draft Annual Report. The Committee then met BDO on 28 April 2023 to review formally the outcome of the audit.

The Auditor was provided with an opportunity to meet with the Committee without the AIFM or the Portfolio Manager being present. No concerns were raised by the Auditor or the Audit Committee in relation to the service provided by the AIFM, the Portfolio Manager, or any other third-party service provider. There were no material or significant adverse matters brought to the Audit Committee's attention in respect of the 2023 audit, which should be brought to shareholders' attention.

Remuneration

The Committee approved a fee of £44,350 for the audit of the year ended 31 January 2023 (2022: £36,500). This represents an increase of 21.5% compared with the previous year's fee. Part of the increase was inflationary and part was attributed to the costs of additional work relating to the changes to ISA 315, 50% of which BDO assured the Committee will be a one-off. Although this is a large increase, the Committee believes that the fee is in line with audit fees payable for the investment trust sector and is reflective of the level of work required to carry out a robust audit of a listed company.

Independence and Effectiveness

The Committee evaluated the independence of the Auditor and the effectiveness of the external audit. In order to fulfil this responsibility, the Committee reviewed:

- the senior audit personnel in the audit plan, in order to ensure that there were sufficient, suitably experienced staff with knowledge of the investment trust sector working on the audit;
- the steps the Auditor takes to ensure its independence and objectivity;
- the statement by the Auditor that they remain independent within the meaning of the relevant regulations and their professional standards;
- the extent of any non-audit services provided by the Auditor (there were none during the year under review);
- the Company's policy on former employees of the Auditor (and other service providers) joining the Board;
- the Auditor's fulfilment of the agreed audit plan, including their ability to communicate with management and to resolve any issues promptly and satisfactorily;
- the presentation of the audit findings; and
- feedback from BDO and Frostrow as the AIFM and Company Secretary on their working relationship.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process.

Non-Audit Services

BDO LLP did not carry out any non-audit work during the year. Pursuant to the Company's non-audit services policy, the Committee is required to approve the engagement of the Auditor for any non-audit work. A copy of the Company's non-audit services policy can be found on the Company's website at www.pacific-assets.co.uk.

Effectiveness of the Committee

The Committee's performance over the past year was reviewed as part of the annual Board evaluation. The evaluation considered the composition of the Committee and the efficacy of Committee meetings, as well as assessing the Committee's role in monitoring and overseeing the Company's financial reporting and accounting, risk management and internal controls, compliance with corporate governance regulations and the assessment of the external audit.

I am pleased to confirm that the evaluation result was positive and no matters of concern or requirements for change were highlighted.

Charlotta Ginman FCA
Chair of the Audit Committee
9 May 2023

Directors' Remuneration Report

Statement from the Chair

As Chair of the Engagement and Remuneration Committee, I am pleased to present the Directors' Remuneration Report to shareholders. The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting ("AGM").

The law requires the Auditor to audit certain disclosures in this report. Where disclosures have been audited, they are indicated as such and the audit opinion is included in the Auditor's report to shareholders on pages 59 to 65.

The Engagement & Remuneration Committee considers the framework for the remuneration of the Directors. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and in comparison with other companies of a similar structure and size. This is in line with the AIC Code.

The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally-managed investment trust (please refer to the Business Review beginning on page 22 for more information). Accordingly, statutory requirements relating to executive directors' and employees' pay do not apply.

The Engagement & Remuneration Committee met once during the year and approved a small inflationary increase in the level of fees paid to the Directors, to take effect from 1 February 2023. The fees for the current year and the annual percentage change in directors' fee rates over the past three years are shown in the table below.

Directors' Fees

The Directors as at the date of this report received the fees listed in the table on page 57. These exclude employer's national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

No communications have been received from shareholders regarding Directors' remuneration and no remuneration consultants were engaged during the year.

Article 100 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Under HMRC guidance, travel expenses and other out of pocket expenses may be considered as taxable benefits for the Directors. Where expenses reimbursed to the Directors are classed as taxable under HMRC guidance, they are shown in the taxable expenses column of the Directors' remuneration table overleaf and include the associated tax liability settled by the Company.

Annual Percentage Change in Directors' Remuneration

Director	2024 Fee Level (per annum) (projected)	2024 % Change	2023 Fee Level (per annum)	2023 % Change	2022 Fee Level (per annum)	2022 % Change	2021 Fee Level (per annum)	2021 % Change
Chairman	£44,000	4.8	£42,000	3.7	£40,500	6.6	£38,000	6.6
Audit Chair	£37,000	5.7	£35,000	4.5	£33,500	8.0	£31,000	8.0
Director	£31,500	5.0	£30,000	3.4	£29,000	7.4	£27,000	7.4

Directors' Remuneration for the Year (audited)

The Directors who served in the year received the following remuneration:

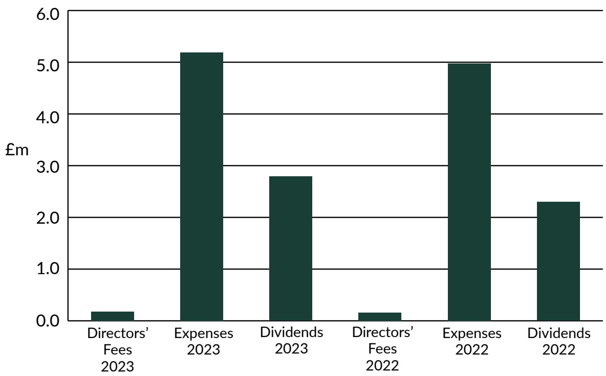
	Date of Appointment to the Board	Fixed Fees 2023 £	Taxable Expenses 2023 £	Total Remun-eration 2023 £	Fixed Fees 2022 £	Taxable Expenses 2022 £	Total Remun-eration 2022 £
James Williams	1 October 2013	42,000	518	42,518	40,500	416	40,916
Charlotta Ginman	9 October 2014	35,000	–	35,000	33,500	–	33,500
Sian Hansen	3 August 2015	30,000	–	30,000	29,000	–	29,000
Robert Talbut	23 September 2016	30,000	422	30,422	29,000	–	29,000
Edward Troughton	18 December 2019	30,000	–	30,000	29,000	–	29,000
Andrew Impey	1 August 2022	15,000	–	15,000	–	–	–
		182,000	940	182,940	161,000	416	161,416

Loss of Office

Directors do not have service contracts with the Company but are engaged under letters of appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 January 2022 and 2023.



Directors' Interests in Shares (audited)

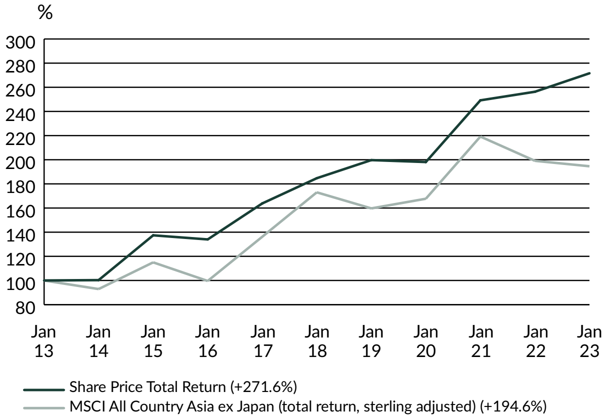
The Directors' interests in the share capital of the Company at the year end are shown in the table below:

		Number of shares held 31 January 2023	31 January 2022
James Williams	Beneficial	56,000	50,000
Charlotta Ginman	Beneficial	13,789	13,789
Sian Hansen	Beneficial	15,880	13,907
Robert Talbut	Beneficial	9,611	9,611
Edward Troughton	Beneficial	18,357	18,357
Andrew Impey	Beneficial	10,000	–
Total		123,637	105,664

There have been no changes to the Directors' holdings in the Company's shares since the year end.

None of the Directors is required to own shares in the Company.

Total Shareholder Return for the Ten Years to 31 January 2023



Source: Morningstar
Rebased to 100 as at 31 January 2013

In accordance with statutory reporting requirements, the Directors' Remuneration Report is required to compare the Company's share price total return with that of a market index. The Board has identified the MSCI All Country Asia ex Japan Index measured on a total return, sterling adjusted basis as a suitable comparator for the Company's performance.

Approval

A resolution to approve the Directors' Remuneration Report for the year ended 31 January 2022 was put to shareholders at the AGM held on 28 June 2022. Of the votes cast, 99.92% were in favour and 0.08% were against.

Directors' Remuneration Policy

The Remuneration Policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. Remuneration should be sufficient to enable candidates of a high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally. There are no long-term incentive schemes, bonuses, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. The Company does not have any employees.

None of the Directors has a service contract. The terms of their appointment provide that Directors shall be subject to election at the first AGM after their appointment and to annual re-election thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

The Directors' Remuneration Policy is subject to a binding shareholder vote every three years. It was last approved at the AGM held in 2020 and it has therefore been recommended to shareholders for approval at the forthcoming AGM (please refer to the Notice of AGM beginning on page 98 for further information). There have been no changes to the Remuneration Policy during the year and no changes are proposed for the year ending 31 January 2024. If, however, the Directors propose to vary the Remuneration Policy, shareholder approval for the new policy will be sought at a general meeting. The Committee and the Board review the Remuneration Policy annually to ensure that it remains appropriate.

Limit on Directors' Remuneration

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £250,000 in aggregate per annum. At the Committee's recommendation, the Board is proposing to shareholders that this limit be increased to £300,000 and a resolution for this purpose has been included in the Notice of AGM, beginning on page 98. If the resolution is passed, the aggregate annual remuneration of the Directors will remain within the current limit of £250,000, however the increased limit will provide for moderate adjustments that may be necessary in subsequent years, including the recruitment of future directors, and to provide a contingency for any additional fees associated with non-routine business.

Sian Hansen

Chair of the Engagement & Remuneration Committee
9 May 2023

Independent Auditor's Report

to the Members of Pacific Assets Trust plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared ins accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pacific Assets Trust plc (the "Company") for the year ended 31 January 2023 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard, including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 17 November 2020 to audit the financial statements for the year ending 31 January 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ending 31 January 2021 to 31 January 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the ongoing geo-political issues by reviewing the information used by the Directors in completing their assessment;
- Challenging management's assumptions and judgements made with regards to stress testing forecasts including whether cash flow assumptions used were appropriate,; validating data assumptions used, that could have a material impact, by agreeing these to supporting documentation where possible.
- Recalculating financial ratios, namely net asset value per share, ongoing charges, revenue return per share, and share price total return to ascertain the financial health of the Company.
- Considering any other factors which could impact on going concern such as non-compliance with laws and regulation, legal matters and the presence of contingencies and commitments.

Independent Auditor's Report continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters	Valuation and ownership of quoted investments	✓	✓
	Revenue recognition	✓	✓
Materiality	*Company financial statements as a whole* £4.73m (2022: £4.5m) based on 1% (2022: 1%) of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of quoted investments (Note 8 to the financial statements)	The investment portfolio at the year end comprised of quoted equity investments. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore we considered the valuation and ownership of quoted investments to be the most significant audit area as the quoted investments also represent the most significant balance in the financial statements and underpin the principal activity of the entity.	We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures: > Confirmed that the bid price has been used by agreeing to externally quoted prices using our data analytics software; > Checked that there are no contra indicators, such as liquidity considerations, to suggest the bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; > Confirmed the foreign exchange rates used in the valuations are appropriate by corroborating these to independent sources; > Recalculated the valuation by multiplying the number of shares held by the valuation per share; and > Obtained direct confirmation of the number of shares held per equity investment from the custodian, J.P Morgan Chase Bank regarding all investments held at the balance sheet date.

Key audit matter		How the scope of our audit addressed the key audit matter
	Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	We also considered the completeness, accuracy and clarity of investment-related disclosures against the requirements of the relevant accounting standard. Key observations: Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the quoted equity investments was not appropriate.
Revenue recognition (Note 2 to the financial statements)	Income arises from overseas quoted investments in the form of overseas dividends and can be volatile but is often a key factor in demonstrating the performance of the portfolio. As such there may be an incentive to recognise income as revenue where it is more appropriately of a capital nature. However, this risk is decreased in light of the capital return objective of the Company. Additionally, judgement is required by management in determining the allocation of dividend income to revenue or capital for certain corporate actions or special dividends. For this reason we considered revenue recognition to be a key audit matter.	We assessed the treatment of dividend income and challenged if these had been appropriately accounted for as income or capital by reviewing the underlying reason for issue of the dividend and whether it could be driven by a capital event. We analysed the whole population of dividend receipts to identify items for further discussion that could indicate a capital distribution, for example where a dividend represents a particularly high yield. None were identified. Key observations: Based on our procedures performed we found the judgements made by management in determining the allocation of income to revenue or capital to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2023 £m	2022 £m
Materiality	4.73	4.5
Basis for determining materiality		1% of net assets
Rationale for the benchmark applied		As an investment trust, the net asset value is the key measure of performance for users of the financial statements.
Performance materiality	£3,540,000	£3,380,000
Basis for determining performance materiality		75% of materiality
Rationale for the percentage applied for performance materiality		The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Lower testing threshold
We also determined that for revenue return before tax, a misstatement of less than materiality for the financial statements as a whole could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determine a lower testing threshold for those items impacting revenue return of £360,000 (2022: £290,000), based on 10% of revenue return before tax (2022: 10% of revenue return before tax).

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £230,000 (2022: £225,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and

- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Independent Auditor's Report continued

Non-compliance with laws and regulations
Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and Those Charged With Governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and Those Charged With Governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meetings of Those Charged With Governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust status.

Fraud
We assessed the susceptibility of the financial statements to material misstatement including fraud and considered the fraud risk areas to be revenue recognition and management override of controls.

Our risk assessment procedures included:

- Enquiry with management and Those Charged With Governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of Those Charged With Governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above;
- Recalculating investment management fees in total;
- Obtaining independent confirmation of bank balances; and
- Testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
9 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 January 2023

		Year ended 31 January 2023			Year ended 31 January 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	8	-	27,434	27,434	-	43,614	43,614
Exchange differences		-	1,787	1,787	-	(114)	(114)
Income	2	5,541	-	5,541	4,657	-	4,657
Portfolio management and AIFM fees	3	(1,095)	(3,283)	(4,378)	(1,070)	(3,212)	(4,282)
Other expenses	4	(813)	-	(813)	(692)	-	(692)
Return before taxation		**3,633**	**25,938**	**29,571**	**2,895**	**40,288**	**43,183**
Taxation	5	(621)	(3,656)	(4,277)	(487)	(5,343)	(5,830)
Return after taxation		**3,012**	**22,282**	**25,294**	**2,408**	**34,945**	**37,353**
Return per share (p)	7	**2.5**	**18.4**	**20.9**	**2.0**	**28.9**	**30.9**

The Total column of this statement represents the Company's Income Statement. The Revenue and Capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies ("AIC").

All revenue and capital items in the Income Statement derive from continuing operations.

The Company had no recognised gains or losses other than those shown above and therefore no separate Statement of Other Comprehensive Income has been presented.

Statement of Changes in Equity

for the year ended 31 January 2023

	Note	Ordinary Share Capital £'000	Share premium £'000	Capital Redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 January 2021		**15,120**	**8,811**	**1,648**	**14,572**	**369,275**	**6,790**	**416,216**
Return after taxation		-	-	-	-	34,945	2,408	37,353
Ordinary dividends paid	6	-	-	-	-	-	(2,903)	(2,903)
At 31 January 2022		**15,120**	**8,811**	**1,648**	**14,572**	**404,220**	**6,295**	**450,666**
Return after taxation		-	-	-	-	22,282	3,012	25,294
Ordinary dividends paid	6	-	-	-	-	-	(2,298)	(2,298)
At 31 January 2023		**15,120**	**8,811**	**1,648**	**14,572**	**426,502**	**7,009**	**473,662**

The accompanying notes are an integral part of these statements.

Statement of Financial Position

as at 31 January 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments	8		474,399		436,983
Current assets					
Debtors	9	333		242	
Cash and cash equivalents		10,535		24,192	
		10,868		24,434	
Creditors (amounts falling due within one year)	10	(1,855)		(2,356)	
Net current assets			**9,013**		**22,078**
Total assets less current liabilities			**483,412**		**459,061**
Non-current liabilities					
Provision for liabilities	11		(9,750)		(8,395)
Net assets			**473,662**		**450,666**
Capital and reserves					
Called up share capital	12		15,120		15,120
Share premium account			8,811		8,811
Capital redemption reserve	15		1,648		1,648
Special reserve	15		14,572		14,572
Capital reserve	15		426,502		404,220
Revenue reserve	15		7,009		6,295
Equity shareholders' funds			**473,662**		**450,666**
Net asset value per Ordinary Share (p)	13		**391.6p**		**372.6p**

The financial statements on pages 66 to 78 were approved and authorised for issue by the Board of Directors on 9 May 2023 and signed on its behalf by:

James Williams
Chairman

The accompanying notes are an integral part of these statements.

Pacific Assets Trust Public Limited Company – Company Registration Number: SC091052 (Registered in Scotland)

Notes to the Financial Statements

1. Accounting Policies

A summary of the principal accounting policies adopted is set out below or as appropriate within the relevant note to the financial statements.

(a) Basis of Accounting

These financial statements have been prepared under UK Company Law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP'), published in July 2022, for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss.

The Board has considered a detailed assessment of the Company's ability to meets its liabilities as they fall due, including stress and liquidity tests which modelled the effects of substantial falls in markets and significant reductions in market liquidity (including further stressing the current economic conditions caused by the Covid-19 pandemic and certain geopolitical events) on the Company's assets and liabilities. In light of the results of these tests, the Company's cash balances, the liquidity of the Company's investments and the absence of any gearing, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of approval of these financial statements and that, accordingly, it is appropriate to adopt the going concern basis in preparing these financial statements.

The Company has taken advantage of the exemption from preparing a Cash Flow Statement under FRS 102, as it is an investment fund whose investments are substantially highly liquid, carried at fair (market) value and provides a statement of changes in net assets.

The Board is of the opinion that the Company is engaged in a single segment of business, namely investing in accordance with the Investment Objective, and consequently no segmental analysis is provided.

Significant Judgement

There is one significant judgement involved in the presentation of the Company's accounts, being the judgement on the functional and presentational currency of the Company.

The Company's investments are made in foreign currencies, however the Board considers the Company's functional and presentational currency to be sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is incorporated in the United Kingdom and pays dividends and expenses in sterling. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

(b) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the Statement of Financial Position. Profits or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

Notes to the Financial Statements continued

(c) Cash and Cash Equivalents
Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2. Income

	2023 £'000	2022 £'000
Income from investments		
Overseas dividends	5,504	4,657
Bank interest	37	-
	5,541	**4,657**

Dividends receivable are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Foreign dividends are gross of withholding tax.

Special dividends of a revenue nature are recognised through the revenue column of the Income Statement. Special dividends of a capital nature are recognised through the capital column of the Income Statement.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash the amount of the stock dividend is recognised in the revenue column.

3. Portfolio Management and AIFM Fees

		2023			2022	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Portfolio management fee						
– Stewart Investors	968	2,904	3,872	949	2,850	3,799
AIFM fee – Frostrow	127	379	506	121	362	483
	1,095	**3,283**	**4,378**	**1,070**	**3,212**	**4,282**

Frostrow's AIFM fee is for risk management, corporate management, company secretarial and administrative services. Further information regarding Stewart Investors and Frostrow's fees can be found on pages 45 and 46.

All expenses and interest are accounted for on an accruals basis. Expenses and interest are charged to the Income Statement as revenue items except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long-term returns, when they are split as follows:

> Portfolio Management and AIFM fees payable have been allocated 25% to revenue and 75% to capital.

> Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item, within gains on investments held at fair value through profit or loss.

4. Other Expenses

	2023 £'000	2022 £'000
Directors' fees	183	161
Employers NIC on directors' remuneration	14	13
Auditor's remuneration for annual audit	44	37
Depository fees	56	41
Custody fees	190	217
Registrar fees	25	26
Broker retainer	32	30
Listing fees	36	26
Legal and professional fees	43	43
Other expenses	190	98
Total expenses	**813**	**692**

For accounting policy, see note 3 on the prior page.

5. Taxation

(a) Analysis of Charge in the Year

		2023			2022	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	764	-	764	591	-	591
Indian capital gains tax charge	(143)	3,656	3,513	(104)	5,343	5,239
	621	**3,656**	**4,277**	**487**	**5,343**	**5,830**

Overseas tax arose as a result of irrecoverable withholding tax on overseas dividends and Indian capital gains tax ("CGT").

As an investment trust, the Company is generally not subject to UK tax on capital gains. However, Indian capital gains tax arises on capital gains on the sale of Indian securities at a rate of 15% on short-term capital gains (defined as those where the security was held for less than a year) and 10% on long-term capital gains. £1,355,000 (2022: £3,073,000) of the charge arose on unrealised long-term capital gains on securities still held and is included in deferred taxation on unrealised capital gains on Indian securities as set out in note 11 on page 75. £2,158,000 (2022: £2,202,000) of the charge relates to capital gains tax paid on disposals during the year.

Notes to the Financial Statements continued

(b) Reconciliation of Tax Charge

The revenue account tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%).

The differences are explained below:

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Total return on ordinary activities before tax	3,633	25,938	29,571	2,895	40,288	43,183
Corporation tax charged at 19.0% (2022: 19.0%)	690	4,928	5,618	550	7,655	8,205
Effects of:						
Gains on investment not subject to UK corporation tax	-	(5,212)	(5,212)	-	(8,287)	(8,287)
Non-taxable exchange differences	-	(340)	(340)	-	22	22
Expenses not deductible for tax purposes	356	624	980	335	610	945
Income not subject to corporation tax	(1,046)	-	(1,046)	(885)	-	(885)
Indian capital gains tax charge (see note 5a)	(143)	3,656	3,513	(104)	5,343	5,239
Overseas taxation	764	-	764	591	-	591
Tax charge for the year	**621**	**3,656**	**4,277**	**487**	**5,343**	**5,830**

As at 31 January 2023 the Company had unutilised management expenses and other reliefs for taxation purposes of £57,846,000 (2022: £52,693,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised.

In October 2022 it was confirmed that the main rate of corporation tax would increase from 19% to 25% from April 2023. This rate has been enacted as at the date of the Statement of Financial Position.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue as set out in this note. The standard rate of corporation tax is applied to taxable net revenue. Any adjustment resulting from relief for overseas tax is allocated to the revenue reserve.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting and based on enacted tax rates. Due to the Company's status as an investment trust, and the intention to meet the conditions required to obtain approval under Section 1158 of the Corporation Tax Act 2010, the Company has not provided for deferred UK tax on any capital gains and losses arising on the revaluation or disposal of investments.

Deferred tax has been provided for on capital gains arising on Indian securities as noted in 5(a) above.

6. Dividends

Amounts recognised as distributable to shareholders for the year ended 31 January 2023, were as follows:

	2023 £'000	2022 £'000
Final dividend paid for the year ended 31 January 2022 of 1.9p per share	2,298	-
Final dividend paid for the year ended 31 January 2021 of 2.4p per share	-	2,903

In respect of the year ended 31 January 2023, a final dividend of 2.3p per share has been proposed and will be reflected in the Annual Report for the year ending 31 January 2024. Details of the ex-dividend and payment dates are provided on page 45.

The Board's current policy is to pay dividends only out of revenue reserves. Therefore the amount available for distribution as at 31 January 2023 is £7,009,000 (2022: £6,295,000).

The dividends payable in respect of both the current and the previous financial year, which meet the requirements of Section 1158 CTA 2010, are set out below:

	2023 £'000	2022 £'000
Revenue available for distribution by way of dividend for the year	3,012	2,408
Final dividend of 2.3p per share (2022: final dividend of 1.9p)	(2,782)	(2,298)
Transfer to revenue reserves	**230**	**110**

Dividends paid by the Company on its shares are recognised in the financial statements in the year in which they are paid and are shown in the Statement of Changes in Equity.

7. Return per Share

The return per share is as follows:

	2023			2022		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	2.5p	18.4p	20.9p	2.0p	28.9p	30.9p

The total return per share is based on the total return attributable to shareholders of £25,294,000 (2022: £37,353,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £3,012,000 (2022: £2,408,000).

The capital return per share is based on the net capital return attributable to shareholders of £22,282,000 (2022: £34,945,000).

The total return, revenue return and the capital return per share are based on the weighted average number of shares in issue during the year of 120,958,386 (2022: 120,958,386).

The calculations of the returns per Ordinary Share have been carried out in accordance with IAS 33 Earnings per Share.

8. Investments

	2023 £'000	2022 £'000
Investments		
Cost at start of year	290,337	267,140
Investment holding gains at start of year	146,646	137,574
Valuation at start of year	**436,983**	**404,714**
Purchases at cost	77,305	82,266
Disposal proceeds	(67,323)	(93,611)
Gains on investments	27,434	43,614
Valuation at end of year	**474,399**	**436,983**
Cost at 31 January	320,883	290,337
Investment holding gains at 31 January	153,516	146,646
Valuation at 31 January	**474,399**	**436,983**

The Company received £67,323,000 (2022: £93,611,000) from investments sold in the year. The book cost of these investments when they were purchased was £46,759,000 (2022: £59,069,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

During the year the Company incurred transaction costs on purchases of £87,000 (2022: £121,000) and transaction costs on sales of £142,000 (2022: £206,000).

Valuation of Investments

Investments are measured initially and at subsequent reporting dates at fair value. Purchases and sales are recognised on the trade date when a contract exists whose terms require delivery within the time frame established by the market concerned. For quoted securities fair value is either bid price or last traded price, depending on the convention of the exchange on which the investment is listed. Changes in fair value and gains or losses on disposal are included in the Income Statement as a capital item.

In addition, for financial reporting purposes, fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 – Quoted prices in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data), either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable).

All investments have been classified as Level 1 (2022: All Level 1).

9. Debtors

	2023 £'000	2022 £'000
Accrued income	323	204
Other debtors	10	38
	333	**242**

10. Creditors: Amounts Falling Due Within One Year

	2023 £'000	2022 £'000
Amounts due to brokers	481	1,016
Portfolio management fee – Stewart Investors	1,002	996
AIFM fee – Frostrow	129	125
Other creditors	243	219
	1,855	**2,356**

11. Provisions for liabilities

	2023 £'000	2022 £'000
Deferred taxation on unrealised capital gains on Indian securities	9,750	8,395

See note 5 for further details and accounting policy.

12. Share Capital

	2023 £'000	2022 £'000
Allotted and fully paid:		
120,958,386 Ordinary shares of 12.5p each (2022: 120,958,386)	15,120	15,120

During the year, no Ordinary shares were issued (2022: nil).

The capital of the Company is managed in accordance with its investment policy which is detailed in the Strategic Report on pages 22 and 23.

The Company does not have any externally imposed capital requirements.

13. Net Asset Value Per Share

The net asset value per share of 391.6p (2022: 372.6p) is calculated on net assets of £473,662,000 (2022: £450,666,000), divided by 120,958,386 (2022: 120,958,386) shares, being the number of shares in issue at the year end.

14. Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, and debtors and creditors that arise directly from its operations. As an investment trust, the Company holds an investment portfolio of financial assets in pursuit of its investment objective.

Fixed asset investments (see note 8 on page 74) are valued at fair value in accordance with the Company's accounting policies. The fair value of all other financial assets and liabilities is represented by their carrying value in the Statement of Financial Position shown on page 68.

The main risks that the Company faces arising from its financial instruments are:

(i) market risk, including:

- other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;
- interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;
- foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates;

Notes to the Financial Statements continued

(ii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(iii) liquidity risk, being the risk that the Company will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments. Under normal market trading volumes, the majority of the investment portfolio could be realised within a week.

Other price risk

The management of other price risk is part of the portfolio management process and is typical of equity investment. The investment portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on how the investment portfolio is managed is set out on page 2. Although it is the Company's current policy not to use derivatives they may be used from time to time, with prior Board approval, to hedge specific market risk or gain exposure to a specific market.

If the investment portfolio valuation rose or fell by 10% at 31 January, the impact on the net asset value would have been £46.7 million (2022: £41.1 million). The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in overnight call accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. Foreign currency risks are managed alongside other market risks as part of the management of the investment portfolio. It is currently not the Company's policy to hedge this risk on a continuing basis but it can do so from time to time.

Foreign currency exposure:

	2023				2022			
	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000
Chinese renminbi	39,812	481	-	(481)	26,979	-	-	-
Indian rupee	206,897	15	110	(9,750)	216,401	254	22	(9,355)
New Taiwanese dollar	54,280	-	5	-	55,785	69	10	-
Hong Kong dollar	33,134	-	-	-	28,513	-	-	-
Philippine peso	4,835	-	-	-	5,489	-	-	-
Indonesian rupiah	36,718	-	-	-	21,405	-	-	-
Japanese yen	36,161	-	120	-	39,018	-	100	-
Bangladesh taka	6,106	-	1	-	10,606	35	-	-
Thai baht	12,001	-	-	-	8,517	-	-	-
Malaysian ringgit	10,231	-	-	-	5,771	9	-	-
Singapore dollar	23,085	2,898	-	-	-	6,940	-	-
US dollar	-	3,100	-	-	-	7,147	-	-
Korean won	11,139	-	67	-	18,499	-	68	(56)
Total	**474,399**	**6,494**	**303**	**(10,231)**	**436,983**	**14,454**	**200**	**(9,411)**

At 31 January 2023 the Company had £4,041,000 of sterling cash balances (2022: £9,738,000).

During the year sterling weakened by an average of 1.6% (2022: strengthened by 0.4%) against all of the currencies in the investment portfolio (weighted for exposure at 31 January). If the value of sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the net asset value would have been negative £53.4 million (2022: negative £41.0 million). If the value of sterling had weakened against each of the currencies in the investment portfolio by 10%, the impact on the net asset value would have been positive £43.7 million (2022: positive £50.2 million). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year as a whole.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Portfolio Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the Statement of Financial Position date, and the main exposure to credit risk is via the Custodian which is responsible for the safeguarding of the Company's investments and cash balances.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2023 £'000	2022 £'000
Cash and cash equivalents	10,535	24,192
Debtors	333	242
	10,868	24,434

All the assets of the Company which are traded on a recognised exchange are held by J.P. Morgan Chase Bank, the Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk as described in the Strategic Report on pages 24 to 29.

The credit risk on cash is controlled through the use of counterparties or banks with high credit ratings (rated AA or higher), assigned by international credit rating agencies. Cash is currently held at JP Morgan Chase Bank. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

Liquidity risk

The Company's liquidity risk is managed on an ongoing basis by the Portfolio Manager. Substantially all of the Company's portfolio would be realisable within one week, under normal market conditions. There may be circumstances where market liquidity is lower than normal. Stress tests have been performed to understand how long the portfolio would take to realise in such situations. The Board is comfortable that in such a situation the Company would be able to meet its liabilities as they fall due.

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the return to its equity shareholders.

The Company's policy on gearing and leverage is set out on page 23. The Company had no gearing or leverage during the current or prior year.

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as shown in the Statement of Financial Position on page 68.

The Board, with the assistance of the AIFM and the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of:

> the need to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share in accordance with the Company's share buy-back policy;

> the need for new issues of equity shares, including issues from treasury; and

> the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the prior year.

Notes to the Financial Statements continued

15. Reserves

Capital redemption reserve

This reserve arose when ordinary shares were redeemed by the Company and subsequently cancelled, at which point the amount equal to the par value of the ordinary share capital was transferred from the ordinary share capital to the Capital Redemption Reserve.

Special reserve

The Special Reserve arose following court approval in February 1999 to transfer £24.2 million from the share premium account.

Capital reserve

The following are accounted for in this reserve: gains and losses on the disposal of investments; changes in the fair value of investments; and expenses and finance costs, together with the related taxation effect, charged to capital in accordance with note 3 on page 70. Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue reserve

The Revenue Reserve reflects all income and expenses that are recognised in the revenue column of the Income Statement.

Distributable reserves

The Revenue, Special and Capital Reserves are distributable. It is the Board's current policy to pay dividends only from the revenue reserve.

16. Related Party Transactions

The following are considered to be related parties:

- Frostrow Capital LLP (under the Listing Rules only)
- Stewart Investors (under the Listing Rules only)
- The Directors of the Company

Details of the relationship between the Company and Frostrow Capital LLP, the Company's AIFM, are disclosed on pages 45 and 46. During the year ended 31 January 2023, Frostrow earned £506,000 (2022: £483,000) in respect of company management fees, of which £129,000 (2021: £125,000) was outstanding at the year end.

The Company employs Stewart Investors as its Portfolio Manager. Details of this arrangement are disclosed on page 45. During the year ended 31 January 2023, Stewart Investors earned £3,872,000 (2022: £3,799,000) in respect of portfolio management fees, of which £1,002,000 (2022: £996,000) was outstanding at the year end.

All material related party transactions have been disclosed in notes 3 and 4 on pages 70 and 71. Details of the remuneration and the shareholdings of all Directors can be found on page 57.

Glossary of Terms and Alternative Performance Measures (unaudited)

AIFMD

The Alternative Investment Fund Managers Directive (the 'Directive') is a European Union Directive that entered into force on 22 July 2013. The Directive, which was retained in UK law following the withdrawal of the UK from the European Union, regulates fund managers that manage alternative investment funds (including investment trusts).

Where an entity falls within the scope of the Directive, it must appoint a single Alternative Investment Fund Manager ('AIFM'). The core functions of an AIFM are portfolio and risk management. An AIFM can delegate one but not both of these functions. The entity must also appoint an independent Depositary whose duties include the following: the safeguarding and verification of ownership of assets; the monitoring of cashflows; and to ensure that appropriate valuations are applied to the entity's assets.

Average Discount

The average share price for the period divided by the average net asset value for the period minus 1.

	2023 pence	2022 pence
Average share price for the year	335.9	342.3
Average net asset value for the year	373.8	369.3
Average Discount	**10.1%**	**7.3%**

Bottom Up Approach

An investment approach that focuses on the analysis of individual stocks rather than the significance of macroeconomic factors.

Discount or Premium

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

The term used to describe the process of borrowing money for investment purposes. The expectation is that the returns on the investments purchased will exceed the finance costs associated with those borrowings.

There are several methods of calculating gearing and the following has been selected:

Total assets less current liabilities (before deducting any prior charges) minus cash/cash equivalents divided by shareholders' funds, expressed as a percentage.

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Glossary of Terms and Alternative Performance Measures (unaudited) continued

Net Asset Value ("NAV")

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as "shareholders' funds" per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand for and supply of the shares.

NAV Per Share Total Return

The total return on an investment over a specified period assuming dividends paid to shareholders were reinvested at net asset value per share at the time the shares were quoted ex-dividend. This is a way of measuring investment management performance of investment trusts which is not affected by movements in discounts or premiums.

NAV Total Return	31 January 2023 p	31 January 2022 p
Opening NAV	372.6	344.1
Increase in NAV	20.9	30.9
Dividend paid	(1.9)	(2.4)
Closing NAV	**391.6**	**372.6**
Increase in NAV	**5.6%**	**9.0%**
Impact of reinvested dividends	0.1%	0.1%
NAV Total Return	5.7%	9.1%

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised operating expenses as a proportion of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, cost of buying back or issuing ordinary shares and other non-recurring costs.

	31 January 2023 £'000	31 January 2022 £'000
Operating expenses	5,190	4,974
Average net assets during the year	452,081	446,596
Ongoing charges	**1.1%**	**1.1%**

Performance Objective

The Company's performance objective, against which the Portfolio Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6% (calculated on an annual basis) measured over three to five years. The Consumer Price Index is published by the UK Office for National Statistics and represents inflation. The additional 6% is a fixed element to represent what the Board considers to be a reasonable premium on investors' capital which investing in the faster-growing Asian economies ought to provide over time. The performance objective is designed to reflect that the Portfolio Manager's approach does not consider index composition when investing.

	Total Return (annualised)		
	Share Price (%)	NAV (%)	CPI + 6% (%)
One year to 31 January 2023	5.9	5.7	17.3
Three years to 31 January 2023	11.1	11.9	11.9
Five years to 31 January 2023	8.0	8.8	10.3

Revenue Return per Share

The revenue return per share is calculated by taking the return on ordinary activities after taxation and dividing it by the weighted average number of shares in issue during the year (see note 7 on page 73 for further information).

Share Price Total Return

The total return on an investment over a specified period assuming dividends paid to shareholders were reinvested in the Company's shares at the share price at the time the shares were quoted ex-dividend.

Share Price Total Return	31 January 2023 p	31 January 2022 p
Opening share price	340.0	333.0
Increase in share price	19.9	9.4
Dividend paid	(1.9)	(2.4)
Closing share price	**358.0**	**340.0**
Increase in share price	**5.8%**	**2.8%**
Impact of reinvested dividends	0.1%	0.1%
Share Price Total Return	**5.9%**	**2.9%**

Volatility

A measure of the range of possible returns for a given security or market index.

Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited)

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Pacific Assets Trust plc

Legal entity identifier: 2138008U8QPGAESFYA48

Sustainable investment objective

Did this financial product have a sustainable investment objective?	
✖ Yes	☐ No
✖ It made **sustainable investments with an environmental objective: 60%** ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ✖ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
✖ It made **sustainable investments with a social objective: 100%**	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

Note: The percentages are defined and measured on the basis that each sustainable investment must contribute to a social objective and may also contribute to an environmental objective. The percentages will therefore not add to 100.

To what extent was the sustainable investment objective of this financial product met?

The Company seeks to achieve long-term capital appreciation by investing in companies which both contribute to, and benefit from, sustainable development, achieving positive social and environmental sustainable outcomes.

Positive social sustainability outcomes include the enablement of improved health and wellbeing; access to income-generating and enterprise opportunities; fair employment and workplace safety; access to education and learning opportunities; communication and access to information; financial inclusion; sustainable transport and mobility; better access to housing, water, sanitation and electricity; and social inclusion and reduced inequality.

Positive environmental sustainability outcomes include more careful, efficient and productive use of natural resources; reduced waste and improved waste management; the wider adoption of circular economy practices and measures; the adoption of renewable and cleaner energy technologies; reduced greenhouse gas emissions; reduced water, air and other environmental pollution; a slowing in the rate of land degradation, land use change and loss of forests and biodiversity; and measures and technologies that enable climate change adaptation and resilience.

The Company only invests in companies that are sustainable investments which contribute to a social and/or environmental objective. The contribution of the Company's investments to the social and environmental objectives are assessed by reference to two framework indicators – the Portfolio Manager's human development pillars and Project Drawdown climate change solutions.

Human development pillars

The Portfolio Manager has determined 10 broad pillars which they believe encapsulate the essence of human development and which can be mapped to companies. Each investee company must be contributing in a tangible way to at least one of the following pillars:

- Nutrition
- Healthcare and hygiene
- Water and sanitation
- Energy
- Housing
- Employment
- Finance
- Standard of living
- Education
- Information

As at 31 December 2022, the Company held **63** companies. **All companies (100%)** were contributing to at least one **human development pillar** and, in total, were making **174 contributions** to the pillars.

Climate change solutions

Project Drawdown is a non-profit organisation, founded in 2014, which has mapped, measured and modelled over 90 different solutions to global warming, with the ultimate goal of reaching drawdown – i.e. the point in the future when emissions stop increasing and start to steadily decrease. Each Company investment is mapped by the Portfolio Manager against the c.90 solutions (which are captured in eight broader solutions of Buildings, Circular economy / industry, Conservation / restoration, Energy, Food system, Human development, Transport and Water). The Portfolio Manager's focus is on whether the companies themselves are making a meaningful contribution and will have meaningful involvement with the delivery of any of those solutions. Where the companies in which the Company invests do contribute to any of the solutions, they will be involved in making products and delivering services directly or by enabling/supporting those solutions.

Template periodic disclosure for the financial products referred to in Article 9 continued

Further information about how the Portfolio Manager uses the human development pillars and Project Drawdown climate solutions is available on the Portfolio Manager's website – stewartinvestors.com

As at 31 December 2022, the Company held **63** companies. **38 companies (60%)** were contributing to **climate change solutions**. These companies were contributing to 33 different solutions and, in total, were making **111 contributions** to the solutions.

These frameworks, alongside the Portfolio Manager's own bottom-up analysis, lean on measurable and reportable outcomes as evidence for determining a company's meaningful contribution to sustainable development.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

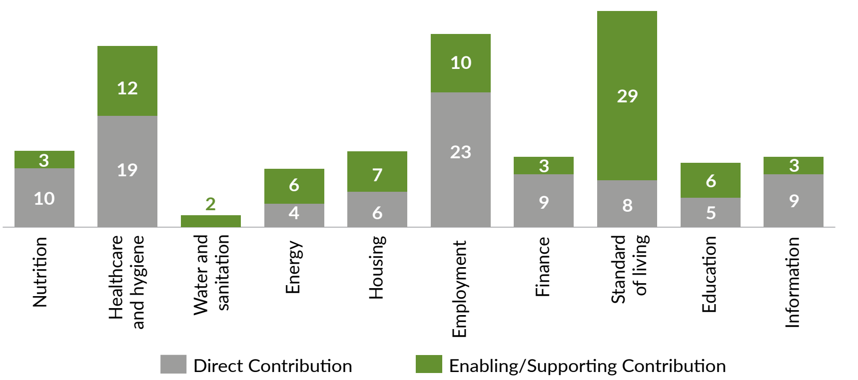
> **How did the sustainability indicators perform?**

The Portfolio Manager's Portfolio Explorer tool provides the contribution that each company makes to climate solutions, human development and the Sustainable Development Goals, as well as the investment rationale, key risks and engagement topics. Click on the link below to access the tool.

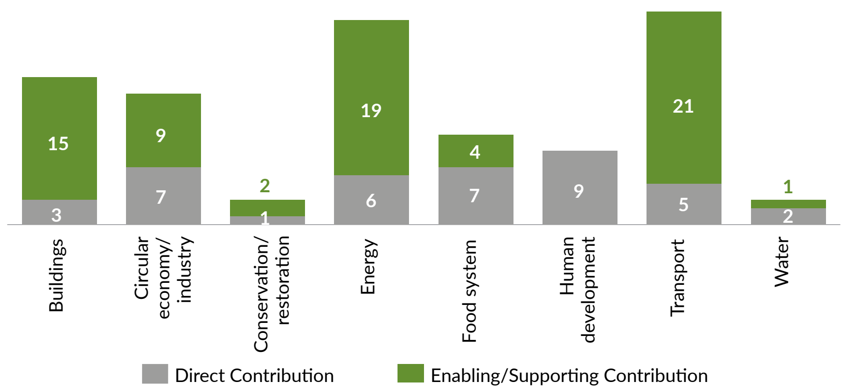
www.stewartinvestors.com/uk/en/intermediary/our-strategies/pacific-assets-trust.html?tabs-anchor=Pacific%20Assets%Trust&active-tab=Portfolio%20Explorer

The social and environmental outcomes for the Company as at 31 December 2022 are provided in the charts below.

Human development pillars
(number of companies contributing to each pillar)



Climate change solutions
(number of companies contributing to each solution)



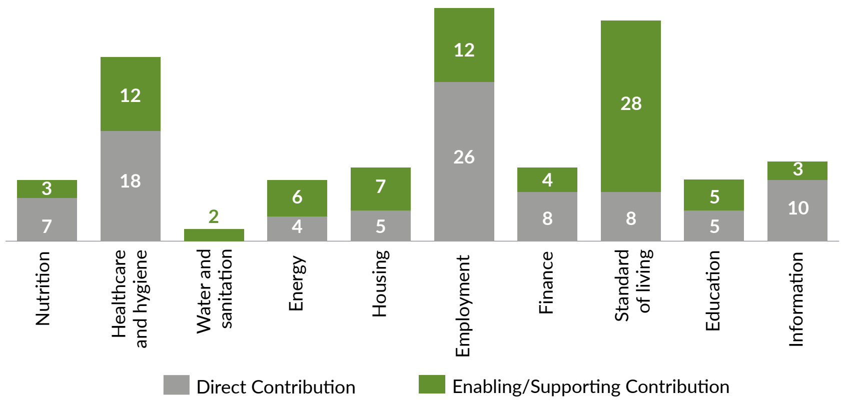
Notes: Direct Contribution – directly attributable to products, services or practices provided by that company. Enabling/Supporting Contribution – supported or made possible by products or technologies provided by that company.

> ...and compared to previous periods?
Changes in the sustainability outcomes for the Company year-on-year are related to bottom-up changes in the portfolio and/or changes in the sustainability profile of individual investee companies.

The social and environmental outcomes for the Company as at 31 December 2021 are provided in the charts below.

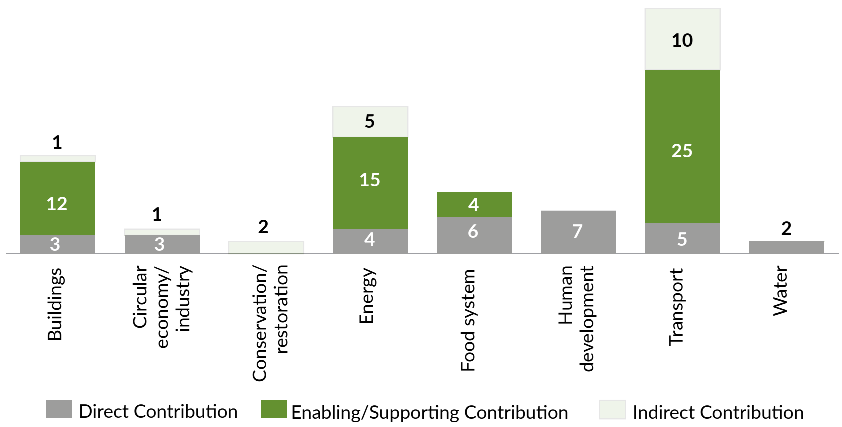
As at 31 December 2021, the Company held **63** companies. **All companies (100%)** were contributing to at least one **human development pillar** and, in total, were making **173 contributions** to the pillars.

Human development pillars
(number of companies contributing to each pillar)



As at 31 December 2021, the Company held **63** companies. **38 companies (60%)** were contributing to **climate change solutions**. These companies were contributing to 32 different solutions and, in total, were making **105 contributions** to the solutions.

Climate change solutions
(number of companies contributing to each solution)



Template periodic disclosure for the financial products referred to in Article 9 continued

During 2022 and following feedback from clients, the Portfolio Manager removed the Indirect Contribution from their climate solutions measures.

Indirect Contribution – providing generic products or services to companies making direct or enabling contributions or making operational decisions which have a material contribution.

In 2022, Project Drawdown added 11 new climate solutions to their framework. The Portfolio Manager considered these new solutions for their 2022 reporting measures.

More detail on these changes are available on the Portfolio Manager's website: www.stewartinvestors.com/all/insights/climate-solutions-update

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters follow good governance practices.

> **How did the sustainable investments not cause significant harm to any sustainable investment objective?**

The Company only invests in companies that are sustainable investments which contribute to a social and/or environmental objective.

The hallmarks of the investment strategy are an exclusive focus on companies that contribute to, and benefit from, sustainable development; a research-driven, fundamental, bottom-up approach to the selection and ongoing analysis of investments; a focus on the quality and sustainability attributes of every company; a focus on company stewardship and sound governance; a long-term investment horizon; and a commitment to engagement in order to address sustainability concerns and issues.

The bottom-up investment process results in portfolios composed of companies without material exposure to harmful products, services or processes. All harmful business activities are defined and publicly disclosed, and subject to a materiality assessment by the Portfolio Manager. The Portfolio Manager's position on harmful and controversial products and services and investment exclusions is available on their website.

www.stewartinvestors.com/all/insights/our-position-on-harmful-and-controversial-products-and-services

Socially harmful activities include the production of alcohol products, tobacco products and armaments; involvement in gambling operations; the production and sale of pornography; poor animal welfare practices; animal testing that breaches ethical principles and regulatory standards; failure to respect sexual and reproductive health rights; genetic and embryonic and adult stem cell research activities that fail to meet the highest ethical, safety and regulatory standards or are aimed at the reproductive cloning of humans or animals; failure to comply with globally accepted human rights, norms and standards in relation to modern slavery, child labour, customary land tenure and indigenous rights; and unethical and discriminatory employment practices.

Environmentally harmful activities include the exploration, production or generation of fossil fuels and nuclear power. Companies that fail to discharge their environmental stewardship responsibilities in line with the UN Global Compact and other global standards are also excluded.

Unacceptable governance practices include carrying out operations with and within oppressive regimes; systemic bribery and corruption; tax avoidance and unacceptably low levels of tax payments; and poor ethical conduct when dealing with customers, suppliers and competitors.

If an investment is held in a company that has material exposure to harmful products and services, this will be disclosed on the Portfolio Manager's website, and the reasons for the exception and for maintaining the holding explained. Exceptions may occur if a company is winding down a legacy commercial activity (in which case the company will be engaged and encouraged to cease the commercial activity concerned), or if a company is only indirectly exposed to a harmful industry or activity, for example, a company making safety products for a wide range of industries may also have customers in the fossil fuel or defence industries.

The Company's exposure to such activities is monitored on an ongoing basis through pre and post trade compliance systems.

Where any material exposure to these harmful activities is found, the Portfolio Manager will:

- review the company research and investment case, noting the response where they believe it is adequate,
- engage with the company where they require further information or wish to encourage improved practices and an appropriate resolution of the issues,
- exit the Company's position in the company where engagement has been unsuccessful, or where part of a pattern of behaviour raises concerns regarding the quality and integrity of the company's management.

> How were the indicators for adverse impacts on sustainability factors taken into account?

Adverse impact indicators, relevant to each Company investee company, are taken into account through the Portfolio Manager's bottom-up research, company engagement, adherence to their position statement on harmful and controversial products and services, Group-wide exclusion policies and third-party research providers.

The Portfolio Manager meets and liaises with companies on an on-going basis and is continuously assessing their sustainability credentials and quality. Where the Portfolio Manager has identified changes to a company's quality or sustainability positioning through either meetings, ongoing monitoring and reviewing their annual reports, the Portfolio Manager will re-evaluate the investment case.

The Company portfolio is assessed on an ongoing basis by external service providers including controversy monitoring, product involvement, carbon footprints and other impact measures, and breaches of social norms.

Any material Principle Adverse Sustainability Indicators are incorporated into the Portfolio Manager's company analysis, team discussion and engagement programme.

> Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Company's sustainable investments are aligned with these Guidelines and Principles.

The Portfolio Manager continually monitors the companies owned to understand any changes to the strategies. The Company's portfolio is assessed by an external service provider for compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, UN global norms and exposure to high-risk sectors. The Portfolio Manager also receives regular updates from a controversy monitoring service. Where issues are raised by these services, the Portfolio Manager will review and consider as part of the investment analysis and depending on the detail may engage with the company in question, and if necessary will divest to ensure the portfolio continues to meet the principles which sit at the heart of the investment philosophy.

Template periodic disclosure for the financial products referred to in Article 9 continued

During the reporting period the Company held the following company which flagged against the Portfolio Manager's policy.

Tata Consultancy Services (TCS)
Activity exposure >5% revenue: UN Global Compact Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Reason for exception/holding: TCS has no direct involvement in nuclear weapons or energy, however the external research provider considers the company to be involved because its parent company, Tata Sons, owns greater than 50% of TCS.

Tata Sons involvement is due to the company owning Tata Advanced Systems which acquired Tata Power's Strategic Engineering Division. The Strategic Engineering Division provides control systems for the Indian Navy's nuclear missile submarines.

As India has not signed the Treaty on the Non-Proliferation of Nuclear Weapons, the external data provider considers Tata Sons and by extension TCS to be in support of the nuclear weapons programme of India. The Portfolio Manager disagrees with this assessment and does not see anything in the activities or conduct of the company to question its sustainability positioning or the investment case.

How did this financial product consider principal adverse impacts on sustainability factors?

In addition to the detail described above, the Portfolio Manager has set a materiality threshold of 5% of revenue for direct involvement companies materially involved in the exploration, production or generation of fossil fuel energy and a threshold of 0% for controversial weapons. Portfolio companies are checked against the thresholds each quarter by an external third-party research platform.

The below table sets out the principle adverse impact ("PAI") mandatory indicators for the Company.

Indicators	Metrics	Trust analysis
Exposure	(EUR m)	534
1. GHG Emissions	Scope 1 (tCO_2eq)	3,302
	Scope 2 (tCO_2eq)	14,848
	Scope 3 (tCO_2eq)	437,418
	Total Emissions Scope 1+2 (tCO_2eq)	18,150
	Total Emissions Scope 1+2+3 (tCO_2eq)	455,568
2. Carbon Footprint	Total Emissions Scope 1+2 (tCO_2eq/EURm)	34
	Total Emissions Scope 1+2+3 (tCO_2eq/EURm)	854
3. GHG Intensity of Investee Companies	Scope 1+2 (tCO_2eq/EURm)	75
	Scope 1+2+3 (tCO_2eq/EURm)	2,413
4. Exposure to companies active in the fossil fuel sector	(% involvement)	0%

Indicators	Metrics	Trust analysis
5. Share of Non–Renewable Energy Consumption and Production	Non–Renewable Energy Consumption (%)	84%
	Non–Renewable Energy Production (%)	35%
6. Energy consumption intensity per high impact sector	Agriculture, Forestry & Fishing (GWh/EURm)	no data
	Construction (GWh/EURm)	no data
	Electricity, Gas, Steam & Air Conditioning Supply (GWh/EURm)	no data
	Manufacturing (GWh/EURm)	0.12
	Mining & Quarrying (GWh/EURm)	no data
	Real Estate Activities (GWh/EURm)	no data
	Transportation & Storage (GWh/EURm)	no data
	Water Supply, Sewerage, Waste Remediation (GWh/EURm)	no data
	Trade & Repair of Automobiles (GWh/EURm)	insufficient data
7. Activities Negatively Affecting Biodiversity Areas	(% involvement)	0%
8. Emissions to Water	(t/EURm)	0
9. Hazardous waste ratio	(t/EURm)	37
10. Violations of UNGC and OECD Guidelines for Multinational Enterprises	Watch (% involvement)	0%
	Breach (% involvement)	2%
11. Lack of Processes & Compliance Mechanisms to Monitor Compliance with UNGC and OECD guidelines	(% involvement)	81%
12. Unadjusted Gender Pay Gap	% of Male Gross Hourly Rate	insufficient data
13. Board Gender Diversity	% of Female Board Members	19%
14. Exposure to Controversial Weapons	(% involvement)	0%

Notes: Principal Adverse Impact data is sourced from third-party ESG data providers. Limitations to the data provided from third parties will stem from their coverage and methodologies and from limited disclosures by issuer companies. Where data is not available, third-party providers may use estimation models or proxy indicators. Methodologies used by data providers may include an element of subjectivity. Whilst data is collected on an ongoing basis, in this rapidly evolving environment, data can become outdated within a short time period. Data for certain metrics may be based on limited data across the portfolio companies.

Template periodic disclosure for the financial products referred to in Article 9 continued

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 1 February 2022 to 31 January 2023.

What were the top investments of this financial product?

Largest Investments	Sector	% Assets*	Country
CG Power	Industrials	6.0	India
Tube Investments	Consumer Discretionary	5.9	India
Mahindra & Mahindra	Consumer Discretionary	5.7	India
Marico	Consumer Staples	3.2	India
Unicharm	Consumer Staples	2.8	Japan
Voltronic Power	Industrials	2.6	Taiwan
Elgi Equipments	Industrials	2.5	India
Hoya	Health Care	2.5	Japan
Tata Consumer Products	Consumer Staples	2.3	India
HDFC	Financials	2.2	India
Koh Young Technology	Information Technology	2.2	South Korea
Techtronic Industries	Industrials	2.1	Hong Kong
Vitasoy	Consumer Staples	2.0	Hong Kong
Taiwan Semiconductor (TSMC)	Information Technology	1.9	Taiwan
Vinda International	Consumer Staples	1.9	China

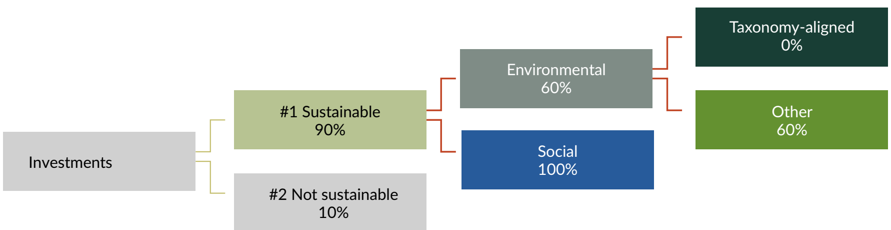
* Calculated based on average investment as at Jan, April, July and October quarter ends.

What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

> What was the asset allocation?

The Company invested at least 90% of its Net Asset Value in companies that are positioned to contribute to, and benefit from, sustainable development. Sustainable development is based on the Portfolio Manager's own philosophy explained in the Company’s Investor Disclosure Document.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

Note: The percentages are defined and measured on the basis that each sustainable investment must contribute to a social objective and may also contribute to an environmental objective. The percentages will therefore not add to 100.

> **In which economic sectors were the investments made?**

The average holdings (excluding cash) over the reporting period in GICs sectors:

Sector	% Assets*
Consumer Staples	21.5
Industrials	18.9
Information Technology	17.2
Consumer Discretionary	12.6
Financials	12.0
Health Care	8.9
Communication Services	3.2
Materials	0.2
Energy	–
Real Estate	–
Utilities	–
Cash and cash equivalents	5.5
Total	**100.0**

* Calculated based on average investment as at Jan, April, July and October quarter ends.

The Company has no direct holdings in companies materially involved in the exploration, production or generation of fossil fuel energy.

The Portfolio Manager checks investee companies (via a third-party research platform and on a quarterly basis) for any revenues derived from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels. They disclose any companies above their material threshold (5% of revenues) on their website.

Additional transparency is provided by the Portfolio Manager in their annual climate report, where they disclose companies that are providing services to the fossil fuel industry directly or via their underlying subsidiaries.

stewartinvestors.com/all/insights/climate-report

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy[1]?

> **Did the financial product invest in fossil gas and/or nuclear energy related activities?**

☐ Yes

☐ In fossil gas ☐ In nuclear energy

☒ No

[1]Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory notes in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply, with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or lower-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

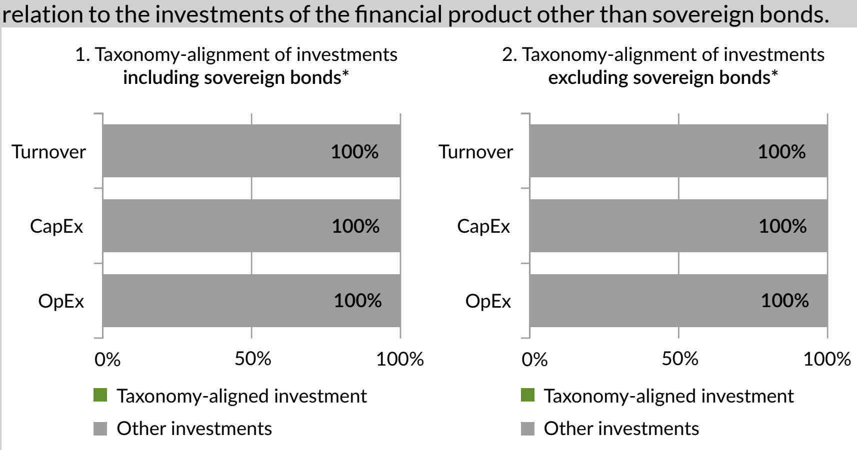
Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

Template periodic disclosure for the financial products referred to in Article 9 continued

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

> **What was the share of investments made in transitional and enabling activities?**
> The share of investments made in transitional and enabling activities for the Company is **0%**.

> **How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?**
> Not applicable. This is the first year of reporting EU Taxonomy aligned investments.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?
38 companies (60%) in the Company were aligned to environmental sustainable investments as defined by the Portfolio Manager's climate change solutions.

What was the share of socially sustainable investments?
All companies in the Company were aligned to socially sustainable investments as defined by the Portfolio Manager's human development pillars.

What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?
The "#2 Not sustainable" assets are cash and near-cash assets held pending investment, to meet liquidity requirements, or assets held in order to allow efficient operational exit of positions. Cash is held by the depositary.

What actions have been taken to attain the sustainable investment objective during the reference period?
No company is perfect and engagement and voting are key responsibilities for the Portfolio Manager as long-term shareholders. They believe that engagement is a means to mitigate business risks, protect against potential headwinds and improve sustainability outcomes. Engagement is fully integrated into the responsibilities of

the Portfolio Manager as it contributes invaluable insights into their understanding of each company.

More information on the approach and the policy is available on the Portfolio Manager's website:

www.stewartinvestors.com/content/dam/stewartinvestors/pdf/global/si-corporate-engagement-policy.pdf

During the period, the Portfolio Manager met with **51%** of investee companies.

All engagement starts with bottom-up analysis, with responsibility shared across the investment team. Over the period the Portfolio Manager engaged on issues such as:

- **Pollution, natural resource degradation, biodiversity and climate change** – packaging, plastic pellets, deforestation, sustainability of supply chains (soy, palm oil and coffee), fossil fuel versus renewables, water, waste and energy efficiency.
- **Aligned remuneration and incentives** – living wage, gender pay gap and complexity of incentives.
- **Human rights and modern slavery** – conflict minerals in the supply chains of semiconductors, trafficking, forced labour and child labour in the Asia Pacific region.
- **Diversity, equity and inclusion** – diversity, particularly gender, in senior management and on boards.
- **Addictive products** – indirect exposure to tobacco and sugar content in food.
- **Governance** – corporate strategy and legal structure.

During the period the Portfolio Manager engaged with **74%** of investee companies.

- Environmental issues 39%
- Social issues 19%
- Governance issues 42%

Engagements may relate to one or multiple environmental, social or governance issues.

Proxy voting is an extension of the Portfolio Manager's engagement activities. It is not outsourced to an external provider or separate proxy voting/engagement team. The Portfolio Manager considers each proxy vote individually and on its own merits in the context of their knowledge about that particular company. A breakdown of voting activity for the Company is detailed below.

Voting activity:	
Total proposals to vote on	711
Number of meetings to vote at	110
Number of companies that held voting meetings	67
Number of votes against management proposals	15
Number of votes abstained from voting	0
Number of shareholder proposals to vote on	0
Number of shareholder proposals voted against	0
Number of shareholder proposals abstained from voting	0

Template periodic disclosure for the financial products referred to in Article 9 continued

Voting rationales:

Company	Proposal	No. of proposals	Voting decision
Amoy Diagnostics	Approve Transfer of Product Rights and Equity Amendments to Articles	2	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to transfer product rights and equity to a subsidiary, and to amend authorised share capital, as they did not have sufficient information at the time of voting.		
Dabur	Director Election	1	Against management recommendation
	Rationale The Portfolio Manager voted against the election of a director as they did not believe the director was truly independent.		
Foshan Haitian Flavouring	Director Election	1	Against management recommendation
	Rationale The Portfolio Manager voted against the election of a director to the supervisory board as they did not believe the director was truly independent.		
Glodon	Proposal for FY2022 Employee Stock Purchase Plan ("ESPP") Implement Assessment Management Plan for FY2022 ESPP Board Authorisation to FY2022 ESPP	3	Against management recommendation
	Rationale The Portfolio Manager believes the one-year vesting periods in the ESPP are too short-term and not in shareholders' interests.		
Hualan Biological Engineering	Appointment of Auditor Director Election	3	Against management recommendation
	Rationale At the time of voting, the company had not disclosed a breakdown of the fees paid to its auditor and the Portfolio Manager did not believe the two directors to be truly independent.		

Voting rationales:

Company	Proposal	No. of proposals	Voting decision
Humanica Public	Transaction of Other Business	3	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request for management to approve all other business matters before the annual general meeting (AGM) of shareholders. As an active shareholder, the Portfolio Manager prefers to vote on such matters at the AGM.		
Pentamaster	Authority to Issue Shares w/o Pre-emptive Rights	1	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to issue shares without pre-emptive rights, as the share discount rate had not been disclosed.		
Vitasoy	Director Election	1	Against management recommendation
	Rationale The Portfolio Manager voted against the election of the chairman of the audit committee as the committee met less than four times during the last fiscal year.		

How did this financial product perform compared to the reference sustainable benchmark?

A sustainable benchmark has not been designated to compare the performance for the Company.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

> **How did the reference benchmark differ from a broad market index?**
Not applicable.

> **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?**
Not applicable.

> **How did this financial product perform compared with the reference benchmark?**
Not applicable.

> **How did this financial product perform compared with the broad market index?**
Not applicable.

Shareholder Information

Financial Calendar

31 January	Financial Year End
May	Final Results Announced
July	Annual General Meeting
July	Dividend Payable
31 July	Half Year End
September	Half Year Results Announced

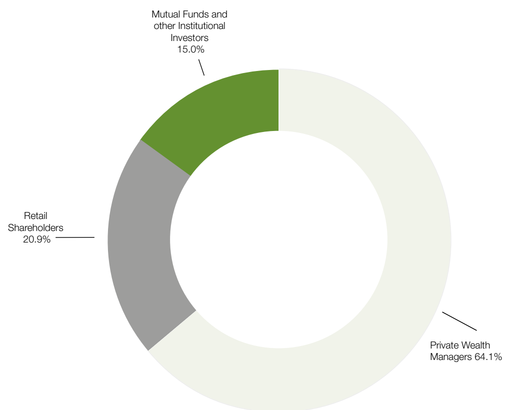
Annual General Meeting

The Annual General Meeting of Pacific Assets Trust plc will be held at the offices of Stewart Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on Monday, 3 July 2023 at 12 noon. Please refer to the Chairman's Statement beginning on page 6 for details of this year's arrangements.

Dividend

A final dividend is paid annually following approval at the Annual General Meeting. Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque posted to their registered address, can complete a mandate form for the purpose. Mandates may be obtained from the Registrar, Equiniti Limited, on request.

Profile of the Company's Ownership
% of shares held at 31 January 2023



Source: Richard Davies Investor Relations

Share Prices

The Company's shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Registrar, Equiniti Limited, under the signature of the registered holder.

Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.pacific-assets.co.uk and is published daily via the London Stock Exchange.

How to Vote

If you hold your shares directly you will have received a paper proxy form. For this year's Annual General Meeting you should ensure that this is returned to the Registrar, Equiniti, before 12 noon on 29 June 2023. Alternatively, you can vote online. To submit a proxy form online, an internet-enabled PC with Internet Explorer 4 or Netscape 4 or above is required. Shareholders will require their Voting ID, Task ID and Shareholder Reference Number, which can be found on the personalised proxy form which accompanies this report, to access this service. Before a proxy can be appointed, shareholders will be asked to agree to the terms and conditions for electronic proxy appointment. The use of the electronic proxy appointment service offered through Equiniti Limited, the Company's registrar, is entirely voluntary.

If you hold your shares via an investment platform or a nominee, you should contact them to inquire about arrangements to vote.

How to Invest

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Equiniti – Share Dealing Service

An internet and telephone dealing service is available through the Company's registrar, Equiniti. This provides a simple way for UK shareholders of Pacific Assets Trust plc to buy or sell the Company's shares. For full details and terms and conditions simply log onto www.shareview.co.uk/dealing or call 03456 037037 between 8.00am and 4.30pm Monday to Friday. This service is only available to shareholders of Pacific Assets Trust plc who hold shares in their own name, with a UK registered address and who are aged 18 and over.

Shareview Dealing is provided by Equiniti Financial Services Limited which has issued and approved the preceding paragraph. Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA is registered in England and Wales with number 6208699. Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority.

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. The following is a list of some of them, which is not comprehensive and does not constitute any form of recommendation:

AJ Bell Youinvest	www.youinvest.co.uk/
Barclays Stockbrokers	www.smartinvestor.barclays.co.uk/
Bestinvest	www.bestinvest.co.uk/
Charles Stanley Direct	www.charles-stanley-direct.co.uk/
Halifax Share Dealing	www.halifaxsharedealing-online.co.uk
Hargreaves Lansdown	www.hl.co.uk/
HSBC	www.hsbc.co.uk/investments/products-and-services/invest-direct/
iDealing	www.idealing.com/
Interactive Investor	www.ii.co.uk/
IWEB	www.iweb-sharedealing.co.uk/
Saxo Capital Markets	www.home.saxo
Tillit	www.tillitinvest.com/
WealthClub	www.wealthclub.co.uk

Risk warnings

Past performance is no guarantee of future performance. The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares. As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with the supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons investors may not get back the original amount invested. Although the Company's shares are denominated in sterling, it may invest in stocks and shares which are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result the value of your investment may rise or fall with movements in exchange rates. Investors should note that tax rates and reliefs may change at any time in the future. The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatments of ISAs may not be maintained.

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Pacific Assets Trust Public Limited Company (the "Company") will be held at the offices of Stewart Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on Monday, 3 July 2023 at 12 noon for the following purposes:

Ordinary Resolutions

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. That the Report of the Directors and the financial statements for the year ended 31 January 2023 together with the Report of the Auditor thereon be received and adopted.
2. That the Directors' Remuneration Report for the year ended 31 January 2023 (other than the part containing the Directors' Remuneration Policy) be approved.
3. That the Directors' Remuneration Policy set out on page 58 of the Annual Report for the year ended 31 January 2023 be received, adopted and approved.
4. That a final dividend for the year ended 31 January 2023 of 2.3p per share be declared.
5. That Ms M C Ginman be re-elected as a Director.
6. That Mrs S E Hansen be re-elected as a Director.
7. That Mr A M Impey be elected as a Director.
8. That Mr R E Talbut be re-elected as a Director.
9. That Mr E T A Troughton be re-elected as a Director.
10. That BDO LLP be re-appointed as Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid.
11. That the Audit Committee be authorised to determine BDO LLP's remuneration.

Investment Policy

12. That the proposed investment policy set out on pages 103 and 104 of the Annual Report for the year ended 31 January 2023, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby approved and adopted as the investment policy of the Company in substitution for, and to the exclusion of, all previous investment policies of the Company.

Authority to Allot Shares

13. That the Board of Directors of the Company (the 'Board') be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,511,979 (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution on such terms as the Board may determine) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolutions

To consider and, if thought fit, pass the following as Special Resolutions.

Disapplication of Pre-emption Rights

14. That, subject to the passing of resolution 13 proposed at the Annual General Meeting of the Company convened for 3 July 2023 ('Resolution 13'), the Board of Directors of the Company (the 'Board') be and it is hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to

subscribe for, or to convert any securities into, ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares')) for cash pursuant to the authority conferred on them by such Resolution 13 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to: the allotment of equity securities up to an aggregate nominal amount of £1,511,979, (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution) and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Authority to Repurchase Shares

15. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares') for cancellation on such terms and in such manner as the board of directors may determine provided that:

    (i) the maximum aggregate number of Ordinary Shares which may be purchased is 18,131,662 or, if lower, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution;

    (ii) the minimum price which may be paid for an Ordinary Share is 12.5 pence (exclusive of associated expenses);

    (iii) the maximum price which may be paid for an Ordinary Share (exclusive of associated expenses) shall not be more than the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange for an Ordinary Share at the time the purchase is carried out; and

    (iv) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry and a purchase of Ordinary Shares may be made pursuant to any such contract.

General Meetings

16. That any General Meeting of the Company (other than the Annual General Meeting of the Company) may be called by not less than 14 clear days' notice in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2024, or, if earlier, on the expiry 15 months from the date of the passing of this resolution.

Directors' Remuneration

17. That the limit in the Company's Articles of Association on the aggregate annual remuneration payable to the Directors be increased from £250,000 to £300,000 with immediate effect.

By order of the Board

Registered office
16 Charlotte Square
Edinburgh
EH2 4DF

Frostrow Capital LLP
Company Secretary
9 May 2023

Notice of the Annual General Meeting continued

Notes

1. If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the 'Registrar'), prior to being admitted to the Annual General Meeting.

2. Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

   If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the chairman of the Annual General Meeting) and give their instructions directly to them.

   Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on +44 (0)371 384 2466. Lines are open between 8.30 am and 5.30 pm, Monday to Friday (excluding public holidays in England and Wales).

   A member may instruct their proxy to abstain from voting on any resolution to be considered at the meeting by marking the abstain option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

   The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

   A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 9 overleaf.

3. A proxy form for use in connection with the Annual General Meeting is enclosed. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

   If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on +44 (0)371 384 2466. Other service providers' costs may vary. Lines are open between 8.30 am and 5.30 pm, Monday to Friday (excluding public holidays in England and Wales).

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 noon on 29 June 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

7. Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

8. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 29 June 2023 (or, if the Annual General Meeting is adjourned, at 6.30 p.m. on the day two working days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

10. Information regarding the Annual General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of Annual General Meeting, is available from www.pacific-assets.co.uk.

11. Members should note that it is possible that, pursuant to requests made by members of the Company under, and meeting the threshold requirements in, section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Notice of the Annual General Meeting continued

12. As at 8 May 2023 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 120,958,386 ordinary shares carrying one vote each (and no shares were held in Treasury). Accordingly, the total voting rights in the Company at 8 May 2023 were 120,958,386 votes.

13. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the Annual General Meeting as her/she proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

14. Under section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    Members who have any queries about the Annual General Meeting should contact Frostrow Capital LLP, the Company Secretary, at 25 Southampton Buildings, London WC2A 1AL or info@frostrow.com.

    Members may not use any electronic address provided in this notice or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

15. The following documents will be available for inspection at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice and at the venue of the Annual General Meeting from 9.45 a.m. on the day of the Annual General Meeting until the conclusion of the Annual General Meeting:

    15.1 copies of the Directors' letters of appointment; and

    15.2 copies of the Directors' deeds of indemnity.

16. Under section 338 and section 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 22 May 2023, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.

17. In accordance with the Articles, the Company may impose restrictions on shareholders wishing to attend the AGM. Such restrictions may include limiting the number of shareholders permitted to attend the AGM in person. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

Explanatory Notes to the Resolutions

Resolution 1 – To receive and adopt the Report of the Directors and the Financial Statements

The Report of the Directors and the financial statements for the year ended 31 January 2023 will be presented to the AGM. These accounts accompany this Notice of Meeting and shareholders will be given an opportunity to ask questions at the meeting.

Resolutions 2 and 3 – Remuneration Report and Policy

It is mandatory for all listed companies to put their report on Directors' remuneration to an advisory shareholder vote every year and their remuneration policy to a binding shareholder vote every three years. As shareholders are being asked to approve the Remuneration Policy this year, it is anticipated that the Remuneration Policy will next be put to shareholders at the AGM in 2026.

The Directors' Remuneration Report is set out in full on pages 56 to 58 and the Remuneration Policy is set out on page 58.

Resolution 4 – Declaration of a Final Dividend for the year ended 31 January 2023

Resolution 4 seeks shareholder approval for the declaration of a final dividend of 2.3p per share for the year ended 31 January 2023.

Resolutions 5 to 9 – Election and Re-election of Directors

Resolutions 5 to 9 deal with the election/re-election of each Director. Biographies of each of the Directors and details of their specific contribution to the Board, can be found on pages 34 and 35.

The Board has confirmed, following a performance review, that the Directors standing for election and re-election continue to perform effectively.

Resolutions 10 and 11 – Re-appointment of Auditor and the determination of its remuneration

Resolutions 10 and 11 relate to the re-appointment of BDO LLP as the Company's independent Auditor to hold office until the next AGM and also authorise the Audit Committee to set their remuneration.

Resolution 12 – Investment Policy

The Board is proposing to formalise in the investment policy an internal limit that was agreed with the Portfolio Manager during the year, to limit exposure to a single country or jurisdiction to 45% of total assets at the time of investment and obliges the Portfolio Manager to seek to rebalance the portfolio if exposure to any one jurisdiction reaches 49% of total assets at any time. The proposed amendment has been approved in principle by the Financial Conduct Authority in accordance with the requirements of the Listing Rules. Please refer to the Chairman's Statement beginning on page 6 for further information. Any future material changes to the Company's investment policy will also require the prior approval of both the FCA and shareholders. The full text of the proposed Investment Policy is set out below:

Proposed Investment Policy

The Company aims to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the "Asia Pacific Region"). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region (as defined above); at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

The Company invests in companies which Stewart Investors believe will be able to generate long-term growth for shareholders.

The Company invests principally in listed equities although it is able to invest in other securities, including preference shares, debt instruments, convertible securities and warrants. In addition, the Company may invest in open and closed-ended investment funds and companies.

The Company is only able to invest in unlisted securities with the Board's prior approval. It is the current intention that such investments are limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Company decides to continue to hold or is required to do so.

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region.

Explanatory Notes to the Resolutions continued

No more than 45 per cent. of the Company's total assets (at the time of investment) may be invested in any single jurisdiction. If the proportion of the Company's total assets invested in a single jurisdiction exceeds 49 per cent. at any time, the AIFM and the Portfolio Manager should, as soon as reasonably practicable, seek to re-balance the Company's portfolio below this threshold.

No single investment may exceed 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

When deemed appropriate, the Company may borrow for investment purposes up to the equivalent of 10% of the net asset value of the Company at the time of drawdown of such borrowing.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, Stewart Investors are unlikely to use derivatives as they do not form part of their investment strategy.

Resolutions 13 and 14 – Issue of Shares

Resolution 13 in the Notice of Annual General Meeting will renew the authority to allot share capital up to an aggregate nominal amount of £1,511,979 (equivalent to 12,095,838 shares or 10% of the Company's existing issued share capital on 8 May 2023, being the nearest practicable date prior to the signing of this Report or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution). Such authority will expire on the date of the next AGM or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Resolution 14 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 8 May 2023, or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 13. This authority will also expire on the date of the next AGM or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 13 and 14 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Shares will only be issued at a premium to the Company's cum income net asset value per share at the time of issue.

Resolution 15 – Repurchase of Shares

The Directors wish to renew the authority given by shareholders at the previous AGM. The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to the net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the AGM.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 12.5p per share. Shares which are purchased under this authority will be cancelled.

Special Resolution 15 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 8 May 2023, being the nearest practicable date prior to the signing of this

Report, (amounting to 18,131,662 shares or, if less, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM or earlier if the authority has been exhausted.

Resolution 16 – General Meetings

Special Resolution 16 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on at least 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting.

Resolution 17 – Directors' Remuneration Limit

Special Resolution 17 seeks shareholder permission to increase the limit in the Company's Articles of Association on the aggregate fees that may be paid to the directors' from £250,000 to £300,000 per annum. If the resolution is passed, the aggregate annual remuneration of the Directors will remain within the current limit of £250,000 for the time being, however the increased limit will provide for moderate adjustments that may be necessary in subsequent years, including the recruitment of future directors, and will provide a contingency for any additional fees associated with non-routine business.

Recommendation

The Board considers that the resolutions detailed above are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 123,637 shares.

How to Vote

Please submit your votes by proxy using one of the following methods:

- Electronically using: www.sharevote.co.uk;
- Submitting a paper proxy form;
- CREST members may use the CREST electronic proxy appointment service;
- Institutional investors may also be able to appoint a proxy electronically via the Proxymity Platform www.proxymity.io; or
- If you hold your shares through a nominee or investment platform, please contact them to enquire about voting arrangements.

Company Information

Directors

J P Williams (Chairman)[1]
M C Ginman, FCA[2]
S E Hansen[3]
A M Impey
R E Talbut[4]
E T A Troughton

[1] Chair of the Nomination Committee
[2] Chair of the Audit Committee
[3] Chair of the Engagement & Remuneration Committee
[4] Senior Independent Director

Registered Office

16 Charlotte Square
Edinburgh EH2 4DF
Website: www.pacific-assets.co.uk
Company Registration Number
SC091052 (Registered in Scotland)

The Company was incorporated in Scotland on 21 December 1984. The Company was incorporated as Pacific Assets Trust Public Limited Company.

Portfolio Manager

Stewart Investors
23 St. Andrew Square
Edinburgh EH2 1BB
Telephone: 0131 473 2200
Website: www.stewartinvestors.com

Authorised and regulated by the Financial Conduct Authority.

Alternative Investment Fund Manager

Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 0203 008 4910
Email: info@frostrow.com
Website: www.frostrow.com

Authorised and regulated by the Financial Conduct Authority.

Custodian

J.P. Morgan Chase Bank
25 Bank Street, Canary Wharf
London, E14 5JP
United Kingdom

Depositary

JP Morgan Europe Limited
25 Bank Street
London E14 5JP

Independent Auditor

BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Shareholder Helpline: +44 (0)371 384 2466*
Broker Helpline: 0906 559 6025*

For deaf and speech impaired customers, we welcome calls via Relay UK. Please see www.relayuk.bt.com for more information.

* Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting your shareholder reference number. Registered shareholders can obtain further details of their holdings on the internet by visiting www.shareview.co.uk

Broker

Investec Bank plc
30 Gresham Street
London EC2V 7QP

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Identification Codes

Shares:	SEDOL:	0667438
	ISIN:	GB0006674385
	Bloomberg:	PAC LN
	EPIC:	PAC

Global Intermediary Identification Number (GIIN)

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